

Ethical Leadership Reconsidered

Thesis (cumulative thesis)

Presented to the Faculty of Arts and Social Sciences

of the University of Zurich

for the Degree of Doctor of Philosophy

by

Colina Frisch

Accepted in the Spring Term 2014

on the Recommendation of the Doctoral Committee:

Prof. Dr. Klaus Jonas (main advisor)

Prof. Dr. Markus Huppenbauer

Zurich, 2014

Acknowledgments

I have been most fortunate in receiving invaluable support during all stages of my dissertation project. First and foremost, I would like to most warmly thank my main advisor Prof. Dr. Klaus Jonas and my second advisor Prof. Dr. Markus Huppenbauer for their kind guidance, help, and inspiration. I am deeply grateful for their constant encouragement, feedback, trust, and support, which has been tremendously helpful.

I would also like to acknowledge the University Research Priority Programme for Ethics and the Forschungskredit of the University of Zurich, which funded this dissertation project. Further, my thanks go to Dr. Maj-Britt Niemi and her team for the management of the PhD Program of the Department of Psychology of the University of Zurich. I have thoroughly enjoyed and highly appreciated the excellent scientific training program they created for us, and would like to thank all the scholars and experts who taught me in this program.

Special thanks go to Prof. Dr. Thomas Beschorner, Prof. Dr. Joanne Ciulla, Prof. Dr. Nien-he Hsieh, and Prof. Dr. Martina Zölch, all of whom have most kindly served as my mentors. I am deeply grateful for all the help and inspiring conversations.

Further, I would like to thank my fellow students Tobias Brügger, Elisabeth Does, Emilio Marti, and Anna Zuber for their valuable comments on earlier drafts of this dissertation and, furthermore, for being really nice company. My friends Carmen Hug and Sylvia Leuthold have always had an open ear for my little joys and sorrows; thank you for being such good friends in good and bad times.

This dissertation project would not have been possible without my family. My mother, Silvia Schönenberger Frisch, has been a source of strength and support at all times, and without the thousands of hours in which she babysat so that I could work, I would never have finished this dissertation in time. I also would like to thank my father, Jochen Frisch, for all our inspiring conversations and his great support. I am more grateful than I can express to my husband Mischa Käser for his unwavering love, patience, help, and unmatched sense of humor, which has brightened my days. Finally, my thanks and love go to my daughter Lilia Sophia. You were born shortly after I started this dissertation project, and you had to share me with my work. Having been able to have you and, at the same, to pursue a dissertation has been one of the most gratifying challenges of my life.

Contents in Brief

Abstract vii
Chapter 1	Introduction 1
Chapter 2	New Insights into Ethical Leadership: A Qualitative Investigation of the Experiences of Executive Ethical Leaders 47
Chapter 3	Preventing Employees' Unethical Conduct towards Internal and External Stakeholders: What Works Better, Ethical Leadership or Fairness? 115
Chapter 4	General Discussion 175
Appendices 195
Curriculum Vitae – Colina Frisch 205

Abstract

Various business scandals have fuelled the call for more ethical conduct in business organizations, and ethical leadership has become a thriving research field. Despite this growing interest, several fundamental questions remain unclear: (1) What specific behaviors does an ethical leader show and towards whom?, (2) Does ethical leadership enhance employees' ethical conduct?, (3) Is ethical leadership a distinct theoretical concept? The aim of this dissertation is to contribute to answering these questions by means of three empirical studies.

In Study 1, we qualitatively analyzed interviews with 17 executive ethical leaders. In contrast to earlier research on ethical leadership, which has mainly focused on the relationship between the leader and the followers, we found that ethical leaders care not only about employees but about various types of stakeholders. Furthermore, we found a range of specific behaviors of ethical leaders towards different types of stakeholders.

Studies 2 and 3 experimentally explored the effects of ethical leadership and the leader's fairness towards employees on employees' unethical behavior. We found that ethical leadership decreases employees' unethical behavior not only towards internal stakeholders, such as their leader, but also towards external stakeholders, such as customers. Fair leadership, however, does so only towards internal stakeholders. We thus also produced empirical evidence for the distinctiveness of ethical leadership from fairness. However, this only holds true if ethical leadership includes an explicit concern for external stakeholders. Therefore, we suggest the incorporation of this explicit concern for external stakeholders into ethical leadership theory and research.

Zusammenfassung

„Ethical Leadership“ hat sich zu einem aufstrebenden Forschungsfeld entwickelt. Jedoch sind etliche wichtige Fragen nach wie vor ungeklärt: (1) Was für spezifische Verhaltensweisen zeigt ein „Ethical Leader“, und wem gegenüber werden diese gezeigt? (2) Fördert Ethical Leadership das ethische Verhalten der Mitarbeitenden? (3) Ist Ethical Leadership ein eigenständiges theoretisches Konzept? Ziel dieser Dissertation ist es, anhand dreier empirischer Studien zur Klärung dieser Fragen beizutragen.

In Studie 1 wurden Interviews mit 17 Ethical Leaders qualitativ analysiert. Es zeigte sich, dass Ethical Leader nicht nur um das Wohl von Mitarbeitenden, sondern auch um jenes vieler anderer Stakeholder besorgt sind. Zudem konnten spezifische Verhaltensweisen des Ethical Leaders gegenüber verschiedenen Arten von Stakeholdern identifiziert werden.

Die Studien 2 und 3 untersuchten experimentell die Effekte von Ethical Leadership und der Fairness des Leaders auf das unethische Verhalten von Mitarbeitenden. Es zeigte sich, dass Ethical Leadership nicht nur das unethische Verhalten der Mitarbeitenden gegenüber *internen* Stakeholdern wie dem Leader selber zu reduzieren scheint sondern auch gegenüber *externen* Stakeholdern wie z.B. Kunden. Im Gegensatz dazu reduziert sich das unethische Verhalten der Mitarbeitenden beim fairen Leader nur gegenüber internen Stakeholdern. Dies spricht dafür, dass Ethical Leadership und Fairness jeweils eigenständige theoretische Konzepte sind, jedoch nur, wenn Ethical Leadership mit einem expliziten Fokus auf das Wohl externer Stakeholder konzeptualisiert wird.

Folglich sollte dieser Fokus in zukünftiger theoretischer und empirischer Forschung berücksichtigt werden.

Table of Contents

Abstract	vii
Chapter 1 Introduction	1
Leadership Theories and Ethics	10
What is Leadership?	10
What is Ethics?	11
Leadership and Ethics: Entwined or Separate?	14
Servant Leadership	15
Transforming Leadership	17
Authentic Leadership.....	20
Responsible Leadership.....	22
Ethical Leadership	23
Normative leadership theories: Overlaps and specific contributions	27
Aims of this Dissertation, Research Questions and Outline of the Studies	30
Study 1: New Insights Into Ethical Leadership	31
Studies 2 and 3: Ethical Leadership, Fairness and Employees' Unethical Conduct	33
Importance of the Research Questions	34
References.....	36
Chapter 2 New Insights into Ethical Leadership: A Qualitative	
Investigation of the Experiences of Executive Ethical Leaders	
.....	47
Abstract.....	49
Introduction.....	51
Theoretical Foundation and Open Questions	54
Ethical Leadership Conceptualisation and Measurement.....	54

Chapter 3	Preventing Employees' Unethical Conduct towards Internal and External Stakeholders: What Works Better, Ethical Leadership or Fairness?.....	115
Abstract.....		117
Introduction.....		118
Theoretical Background and Hypotheses		120
	(Un)ethical Decision Making and Behavior in Organizations: What Is It?.....	120

Causes of (Un)ethical Decision Making and Behavior in Organizations.....	123
Ethical Leadership and (Un)ethical Decision Making and Behavior	124
Fair Leadership and (Un)ethical Decision Making and Behavior	127
Ethical Leadership and Fair Leadership: What's the Difference?.....	129
Overview of Studies	132
Study 1: Methods	133
Participants and Recruiting Process	133
Experimental Design and Procedure	134
Independent Variable: Leadership.....	135
Dependent Variable: Work Time Used for Private Matters	136
Study 1: Results.....	137
Manipulation Checks.....	137
Hypothesis 1	138
Hypothesis 3	138
Hypotheses 4, 5 and 6.....	139
Study 1: Discussion	140
Study 2: Methods	141
Participants and Recruiting Process	141
Experimental Design and Procedure	142
Independent Variable: Leadership.....	143
Dependent Variable: Dishonesty towards Customers	144
Study 2: Results.....	145
Manipulation Checks.....	145
Hypothesis 2	146
Hypotheses 7, 8, and 9.....	147
Study 2: Discussion	148

General Discussion	149
The Effects of Ethical and Fair Leadership on Employees' Unethical Behavior ...	150
The Difference Between Ethical and Fair Leadership	151
Practical Implications	153
Limitations and Future Directions	154
Conclusion	156
References	158
Appendix - Scenarios	168
Study 1: Leadership Scenarios, English Translation	168
Study 2: Leadership Scenarios, English Translation	169
Chapter 4 General Discussion.....	175
Clarifying the Concept of Ethical Leadership.....	177
Ethical Leadership and Employees' Ethical Behavior	181
Differentiating Ethical Leadership from Fair Leadership.....	182
Theoretical Implications.....	183
Practical Implications	185
Strengths, Limitations, and Future Suggestions	185
Conclusion.....	188
References	190
Appendices	195
Appendix to Chapter 2.....	197
Interview Guide, English Translation	197
Appendix to Chapter 3.....	198
Study 2: Leadership Scenarios, German.....	198
Study 3: Leadership Scenarios, German.....	200

Curriculum Vitae – Colina Frisch	205
---	------------

1.

Introduction

In June 2013, the Irish Independent published several secret audio recordings of phone calls between senior managers of the Anglo Irish Bank (Irish Independent, 2013c). The phone calls had taken place right in the middle of the financial crisis, in September 2008, and demonstrate how “Anglo was luring the State into giving billions of euro” (Williams, 2013a). Anglo had applied to the Central Bank for 7 billion Euro emergency financing, while hiding the true extent of their financial difficulties and clearly knowing that this amount would never solve the problem. The strategy was to leave the state with no other choice but to continue the funding after the state would already have invested 7 billions (Williams, 2013a).

The secret recordings include the following dialogues between John Bowe and Peter Fitzgerald, senior executives of the Anglo Irish bank. Bowe tells Fitzgerald about his meeting with the Central Bank, where he has asked for seven billion Euro emergency funding. Fitzgerald asks Bowe how he came up with the number of seven billions:

Fitzgerald: “(...) how did you arrive at the seven?”

Bowe: “Just, as Drummer [CEO David Drumm] would say, picked it out of my arse, you know” (...).

Bowe: “Yeah and that number is seven but the reality is that actually we need more than that. But you know the strategy here is you pull them in, you get them to write a big cheque and they have to keep, they have to support their money, you know.”

Fitzgerald: “Yeah, yeah, yeah, yeah, yeah. They’ve got skin in the game and that’s the key.”

Bowe: “(...) if they [Central Bank] saw, the enormity of it up front, they might decide, they have a choice. You know what I mean? They might say the cost to the taxpayer is too high. But...em...if it doesn’t look too big at the outset... if it looks big, big enough to be important, but not too big that it kind of spoils everything, then, then I think you have a chance...So I think it can creep up.” (Irish Independent, 2013b)

Fitzgerald also asks Bowe, whether the seven billions are a term loan. Bowe answers:

Bowe: “This is €7 billion bridging.

Fitzgerald: “Yeah.”

Bowe: “So...so it is bridged until we pay you back...which is never.”
(Both laugh heartily).”

Fitzgerald: “Yeah, yeah and that’s in the Pro Note...that’s in the terms and conditions?”

Bowe: (Laughing) That’s right.

Bowe: “So under the terms that say repayment, we say; ‘No...’” (More laughing). (Irish Independent, 2013a)

Finally, in January 2009, the bank was nationalized at a total cost of approximately 30 billion Euro (Williams, 2013b). Compared to other countries, the fiscal costs of the Irish banking crisis have been “close to the largest ever” and Ireland has suffered extensively as a result of the crisis (Kinsella & Aliti, 2013, p. 563).

This example of outrageous managerial conduct is just one of many in recent years which have caused public outcries and fuelled the call for more ethical conduct in organizations. Leaders seem to be key figures for shaping the good and the bad in their companies, as they often hold the power to define business strategies, the charisma to inspire followers, and the authority to align employees' behavior with their will.

For many years, the radiant image of the smart, successful leader who manages to bring dreams of wealth and prosperity into reality has been prominent. Consequently, research on leadership has primarily focused on effectiveness (Hoffman, Woehr, Maldagen-Youngjohn, & Lyons, 2011). Simply put, research on leadership has tried to answer the question: What kind of leadership enhances productivity and, thus, enables someone somewhere to earn more money or benefits?

However, after the financial crisis and major scandals such as Enron, the Deepwater Horizon oil spill, or the exposure of Bernard Madoff's fraudulent activities, it is not surprising that the means by which leaders achieve productivity and financial success have come under closer scrutiny. In the public eye, the positively connoted smart, successful leader has been joined by a less pleasant brother: the cunning "Gordon Gecko-leader",¹ who is ready to use any means to

¹ Gordon Gecko, a fictual character from Oliver Stone's movies *Wall Street* (1987) and *Wall Street: Money Never Sleeps* (2010) became famous for being a prototype of a ruthless Wall Street Banker. His famous line was „Greed, for the lack of a better word, is good. Greed is right. Greed works.“ (Stone, 1987).

achieve his or her goals. Public trust has substantially declined as a result of the financial crisis and major business scandals (Owens, 2012), and consequently the public demand for a third type of leader has increased: the ethical leader.

Parallel to the public interest, scientific research on ethical leadership has left its niche existence and has been growing rapidly. Brown et al. (2005, p. 120) defined ethical leadership as “(...) the demonstration of normatively appropriate conduct through personal action and interpersonal relationships, and the promotion of such conduct to followers through two-way communication and decision-making”. They conceptualized the ethical leader as being, on one hand, a moral person who behaves in a normatively appropriate way and, on the other hand, a moral manager who manages the ethical conduct of followers (Brown & Treviño, 2006).

Research on ethical leadership has been growing. However, several fundamental questions remain unclear. In particular, the concept of ethical leadership has been criticized as being rather vague (Eisenbeiss, 2012; Giessner & Quaquebeke, 2011), as it does not clarify what it means to behave in a normatively appropriate way or to do “the right thing in terms of ethics” as a leader (Brown et al., 2005, p. 125). The concept offers some guidance in terms of how leaders can implement moral norms in organizations, but it offers little information about the actual content of these norms.

The first aim of this dissertation, therefore, is to contribute to a clarification of what behaviors are considered normatively appropriate for leaders. What does it mean to be an ethical leader in everyday business? What is “doing

the right thing” for an ethical leader? What are the specific behaviors of an ethical leader?

Traditionally, there have been two different scientific approaches to answering such questions, which illustrates the interdisciplinary character of the field of leadership ethics (Huppenbauer & Tanner, 2014). Philosophical or theological ethicists usually choose a *normative* approach. They discuss reasons why something is ethical or unethical, morally good or bad, and they deduce ethical behavior from ethical theories. However, this dissertation follows the lines of the second approach and aims at answering the question of what an ethical leader is *descriptively*. Rather, than normatively arguing for certain behaviors to be morally right or wrong for leaders, the aim is to investigate empirically how executive ethical leaders (executive leaders with an outstanding ethical reputation) actually behave, by their own account. The aim is to learn from acknowledged ethical leaders what ethical leadership is about.

Despite our descriptive approach, our research questions are triggered by a normative claim. Normative stakeholder theory argues that leaders should not only work towards improving shareholder benefit, but pay “simultaneous attention to the legitimate interests of all appropriate stakeholders” (Donaldson & Preston, 1995, p. 67), such as employees, customers, the society, the government, and others. Accordingly, one would expect an ethical leader to care for several stakeholders. However, to date, research on ethical leadership has almost exclusively focused on the relationship between the leader and the followers. It has investigated questions such as how ethical leadership affects the satisfaction and commitment of employees while mostly ignoring other stakeholders, such as

customers or the local society (e.g. Brown et al., 2005; Den Hartog & De Hoogh, 2009; Kalshoven, Den Hartog, & De Hoogh, 2011). The focus has been on internal stakeholders (stakeholders inside the company) and not on external stakeholders (stakeholders outside the company). This seems rather surprising, as many of the major business scandals have involved unethical behavior towards not only internal but also external stakeholders. For example, the Deepwater Horizon oil spill devastated the economy and ecology of the whole coastal region (Ladd, 2011).

The aim of this dissertation project, therefore, is not only to investigate which behaviors ethical leaders consider to be normatively appropriate, but—more precisely stated—to investigate what is considered to be the ethical leaders' normatively appropriate behavior towards different kinds of stakeholders.

In many cases, leaders are indirectly rather than directly involved with stakeholders, as they often delegate operational tasks to their followers. For example, leaders might not be in personal contact with customers themselves, but supervise sales teams, who deal with customers. Therefore, not only the ethical behavior of the leader is of interest but also that of the followers. A core idea of the ethical leadership concept is that ethical leaders enhance the ethical behavior of their followers (Brown & Treviño, 2006). However, the importance of this idea is not reflected in the current research, and empirical evidence remains scarce (Brown et al., 2005; Mayer, Aquino, Greenbaum, & Kuenzi, 2012; Mayer, Kuenzi, & Greenbaum, 2010). Specifically, research has rarely looked at employees' ethical behavior towards external stakeholders (Schaubroeck et al.,

2012). The second aim of this dissertation, therefore, is to investigate the effects of ethical leadership on employees' ethical behavior towards internal and external stakeholders.

The concept of ethical leadership by Brown et al. (2005) is by no means the only leadership theory dealing with ethical aspects of leadership. However, for several years, it has been the only one to explicitly and primarily focus on ethical issues of leadership and, at the same time, to produce a validated measurement instrument. It might be this attractive mixture of public relevance and social scientific usability, which could explain the remarkable scientific success of the ethical leadership concept developed by Brown et al. (2005). However, the concept of ethical leadership clearly and considerably overlaps with other leadership theories and social scientific constructs, such as fairness (Brown & Treviño, 2006; Brown et al., 2005). Hence, it seems reasonable to ask whether ethical leadership really is a distinct concept or whether it is actually "old wine in new bottles". The third aim of this dissertation, therefore, is to add to a better understanding of the unique theoretical contribution of ethical leadership. In conclusion, the general aim of this dissertation is to contribute to three fundamental questions concerning ethical leadership, namely what it is, what it is good for, and whether it proves to be a distinct theoretical concept.

The dissertation is divided into four chapters. Chapter 1 provides an introduction and theoretical background to the topic of ethical leadership. Firstly, the reader is introduced to the basic questions of what leadership and ethics are and where they meet. Secondly, ethical leadership and several other leadership

theories that focus explicitly or implicitly on ethical aspects of leadership are described and discussed with an emphasis on their overlaps and specific contributions. Finally, the outline, aims and research questions of this dissertation are presented in more detail.

Chapters 2 and 3 contain the three empirical studies. Chapter 2 focuses on the first aim of this dissertation and explores, through a qualitative interview study, what behaviors executive ethical leaders show and towards whom. Chapter 3 contains two experimental studies which contribute to the second and third aims of this dissertation, as they investigate the effects of ethical leadership and the leader's fairness on the employees' unethical behavior towards internal and external stakeholders. Chapter 4, finally, includes the general discussion of all the findings and their implications.

Leadership Theories and Ethics

What is Leadership?

Leadership exists in all societies and cultures and is regarded as a universal phenomenon (Lewis, 1974). Bass and Bass (2008) argue that the phenomenon of leadership is deeply embedded in the human psyche itself because every child experiences some kind of parental leadership crucial for the survival of a child.

However, despite the universality of the phenomenon, leadership occurs in various forms and constellations, and so it is not surprising that research on leadership has produced a variety of definitions and theories. Bass and Bass note: "Often, a two-day meeting to discuss leadership has started with a day of

argument over the definition” (2008, p. 15). Rost (1993) identifies no less than 221 different definitions of leadership. Although the variety of definitions is broad and reflects the variety of leadership theories, most definitions “tend to concentrate on the leader as a person, on the behavior of the leader, on the effects of the leader, and on the interaction process between the leader and the led” (Bass & Bass, 2008, p. 15). To name a specific example, a meeting of 84 social scientists for the Globe Project in 1994 resulted in the following definition of leadership: “the ability to influence, motivate, and enable others to contribute to the effectiveness and success of the organizations of which they are members” (Bass & Bass, 2008, p. 23). This definition emphasizes effectiveness, and most leadership theories have indeed focused on the question of how leaders or leadership can enhance effectiveness (Hoffman et al., 2011). The idea that leadership enables the achievement of goals which would not, or only with more difficulty, have otherwise been achieved is one of the most intriguing aspects of leadership.

In conclusion, leadership is a universal and highly important phenomenon, because it can be found in all cultures, institutions, organizations, and social groups and because it can be a major catalyst of human effectiveness. As Bass and Bass put it: “Leadership makes the difference” (2008, p. 3).

What is Ethics?

Ethics can be defined as the reflection on what is morally right or wrong, good or bad (Pauer-Studer, 2010). Contrary to natural and social sciences, which strive to gather empirical facts about the world and its inhabitants, ethics is concerned less with what *is* and more with what *should be*, thus, it is rather

prescriptive² than descriptive (Deigh, 2010). The ultimate question of ethics is the question of how we ought to live our lives or, in other words, the question "of what are good and bad ends to pursue in life and what is right and wrong to do in the conduct of life" (Deigh, 2010, p. 7). Morality, understood as a universal ideal, "as comprising standards of right and wise conduct whose authority in practical thought is determined by reason rather than custom" (Deigh, 2010, p. 10), is to be the light house that helps us to navigate towards living our lives as we ought.

Ethics as a scientific discipline can be roughly divided into three branches: *Metaethics* studies the nature of moral reasoning itself (Gensler, 2011). It aims at answering questions, such as: Does moral truth exist? What does *good* or *ought* mean? How should we select moral principles?"

Secondly, *normative ethics* explores which moral principles should guide our conduct. Several normative theories compete in defining and justifying moral principles. For example, utilitarianism postulates that we should always act to maximize the universal total of welfare (Tännsjö, 2002), so the ends are considered to be more important than the means. In contrast, deontological theories postulate that there are binding moral principles that should be followed regardless of ends or personal interests (Deigh, 2010). These normative theories explore moral principles at a very general level. However, they can be applied to very specific moral issues, such as abortion, medical care, or business (Gensler, 2011). A third branch of academic ethics, therefore, is *applied ethics*. Applied

² *Prescriptive* is meant in the sense of *normative*. In the following I use the terms prescriptive and normative interchangeably.

ethics aims at exploring what we ought to do concerning moral problems in specific social contexts.

Apart from these prescriptive approaches to ethics—which usually belong to the realms of philosophy—empirical approaches to ethics are *descriptive* in nature and, therefore, often pursued by social scientists, such as psychologists, anthropologists, or sociologists. The aim is to “examine people’s beliefs, values and actual behaviors in specific contexts, and test assumptions about the mechanisms involved in ethical decision-making and behavior through empirical research (Huppenbauer & Tanner, 2014, p. 240). This is important because we may assume that in many cases people do not behave as they *should* behave (in the sense of: as a specific normative theory would advise them to do) for only a minority of people are familiar with academic normative theories. Rather, people behave as they *believe they should* behave, thus according to their individual or societal beliefs and values, which can be very different from what academic normative theories suggest. Accordingly, it is crucial to understand these individual and societal beliefs and values in order to understand actual decision making and behavior.

In conclusion, ethics addresses questions which lie at the very core of human existence, namely the question of how we ought to live our lives. However, academic ethics does not produce one overruling answer to this question but plural answers—sometimes contradictory, as several ethical theories and countless individual ethical problems exist.

After this very short general introduction to ethics on one hand and leadership on the other hand, the following section explores how ethics and leadership relate to each other.

Leadership and Ethics: Entwined or Separate?

The question how leadership and ethics relate to each other has been discussed for more than 2000 years (Ciulla, 2003), but it remains nevertheless controversial. This is not entirely surprising, considering the variety of leadership theories on one hand and the variety of ethical theories on the other hand. So what has leadership got to do with ethics? Ciulla (2013, p. xxvi) notes the following:

When researchers define leadership, their definitions do not differ much in terms of what a leader is, but they differ in terms of what a leader ought to be. (...) most leadership research ultimately aims at answering the question “What is good leadership?”.

The question “What is good leadership?” implies, as Ciulla (1995) demonstrates, a moral dimension. Ciulla illustrates this with what she calls “the Hitler problem” (p. 13), which arises from the question whether Hitler was a good leader. Answering this question may lead to debate, because the term *good* can be interpreted in different ways. On one hand, *good* means *morally good*, and, in this sense, Hitler clearly was not a good leader. On the other hand *good* can be understood in the sense of *effective*. Although Hitler certainly was not a moral leader, he can probably be described as an effective leader (Ciulla, 1995, 2013) as his abilities for mobilizing and organizing the masses were extraordinary (J. W. Gardner, 2013).

While, as noted earlier, effectiveness has been a major concern of many leadership scholars (Hoffman et al., 2011), Ciulla (1995) postulates that good leadership comprises both effectiveness *and* ethics. She concludes that “ethics lies at the heart of leadership studies” (p. 18). In this sense, good leadership and ethics are closely entwined, and, indeed, many leadership theories explicitly or implicitly incorporate ethical aspects. Even theories that focus on effectiveness, such as the currently dominant theories of transformational and charismatic leadership, are at some point usually complemented by normative content. For example, Bass and Steidlmeier (1999) reacted to Ciulla’s critique that Hitler was a transformational leader (Ciulla, 2013) and distinguished authentic (ethical) transformational leadership from pseudo-transformational (unethical) leadership. Similarly, Howell (1988) described “two faces of charisma” (p. 213): socialized (ethical) charismatic leadership and personalized (unethical) charismatic leadership.

In the following sections, I describe several leadership theories other than ethical leadership which focus explicitly on ethical aspects: servant leadership, transforming leadership, authentic leadership, and responsible leadership. These theories overlap substantially, but they emphasize different aspects of leadership and ethics. Furthermore, I present Brown et al.’s (2005) ethical leadership concept in more detail and discuss their distinct contribution as well as overlaps with other leadership theories.

Servant Leadership

Servant leadership was one of the first modern normative leadership theories. As early as 1969, Greenleaf wrote the seminal text *The Servant as*

Leader (Greenleaf, 2002), which—by Greenleaf’s own account—had been inspired by the campus turmoil of the sixties and by the novel *The Journey to the East* by Hermann Hesse (1932/2007). Hesse describes a group of pilgrimage travelers whose servant Leo turns out to be the true leader of the group. Accordingly, Greenleaf developed the core idea of servant leadership: leaders should serve followers.

The servant-leader *is* servant first—as Leo was portrayed. It begins with the natural feeling that one wants to serve, to serve *first*. Then conscious choice brings one to aspire to lead. That person is sharply different from one who is *leader* first, perhaps because of the need to assuage an unusual power drive or to acquire material possessions. (Greenleaf, 2002, p. 27)

Hence, Greenleaf defines servant leadership by means of the motivation to serve, which must precede the choice to lead. He continues by describing the consequences of servant leadership:

The difference manifests itself in the care taken by the servant-first to make sure that other people’s highest priority needs are being served. The best test, and difficult to administer, is this: Do those served grow as persons? (...) *And*, what is the effect on the least privileged in society? Will they benefit or at least not be further deprived? (Greenleaf, 2002)

These are descriptions of antecedents (motivation to serve, choice to lead) and consequences (growth of followers, benefit of the least privileged) of servant leadership rather than a definition of the phenomenon itself. However, they are “the closest we have of a definition as written down by Greenleaf himself” (van

Dierendonck, 2010, p. 1230). It is therefore not surprising that over the years scholars have proposed a variety of characteristics and models of servant leadership. Van Dierendonck (2010) identified no less than 44 characteristics in different models of servant leadership and attempted to summarize them in an overarching model. In this model, he proposes six core characteristics of servant leadership: empowering and developing people, humility, authenticity, interpersonal acceptance, providing direction, and stewardship.

Although the roots of servant leadership can be traced more than 30 years back, empirical research on servant leadership remains limited (Parris & Peachey, 2013; van Dierendonck, 2010). Perhaps, the recent development of a validated measurement instrument of servant leadership (van Dierendonck & Nuijten, 2011) will stimulate future research.

Transforming Leadership

Transforming leadership as conceptualized by Burns (1978) has been one of the most influential leadership theories and has inspired many leadership scholars, most notably Bass's (1985a) theory of transformational leadership (Ciulla, 2013).

Burns (1978) distinguishes between transactional leadership and transforming leadership. He described transactional leadership as "give-and-take leadership" (Burns, 2003, p. 23), in which the leader takes the role of a broker and achieves goals by exchange (of rewards and punishments) with followers. The core idea of transforming leadership is that leaders and followers *empower* each other, as "transforming leaders champion and inspire followers" and encourage them "to rise above the narrow interests and work together for transcending goals"

(Burns, 2003, p. 26). As Ciulla concludes, transforming leadership “rests on the idea that leaders and followers have an obligation to make each other morally better” (2013, p. xxviii).

Drawing on work of Plato, Freud, Maslow, Piaget, Kohlberg, and others, Burns (1978) describes a hierarchy of human needs, which corresponds to a hierarchy of human values and hierarchical stages of moral development. While basic human needs are essential for survival and include air, food, dwelling and clothing, higher needs are for example social acceptance, love, esteem, and aesthetic needs. Values, on the other side, root in early childhood and emerge from internalized parental rules and experiences of conflicts. Burns distinguishes between *modal values*, which refer to the means of actions, such as fairness and honesty, and higher level *end-values*, overarching moral norms, for example equality and respect for individual dignity. As higher levels of needs and values become important, humans develop to reach higher stages of morality. While transactional leadership focuses on modal values, transforming leadership rests on end-values. According to Burns, transforming leaders act as catalysts for the moral development of their followers towards end-values.

How do transforming leaders inspire this fundamental (moral) change in their followers? Burns emphasizes two aspects: Firstly, transforming leadership “operates at need and value levels higher than those of the potential followers” (Burns, 2003, p. 121) and, thus, draws the followers’ attention to more general values, which correspond to the follower’s more enduring needs. Secondly, conflict holds a huge potential for change and growth as it “galvanizes, prods,

motivates people” (Burns, 2003, p. 117). However, conflicts may be latent and unconscious. The first task of the transforming leader, therefore, is to raise the followers’ consciousness of their own conflicting needs and values. Rather than using authoritarian power to bring about change, the transforming leader nudges the followers’ motivation to change by skillfully applying to followers’ grievances and wants. Thus, “it is the kind of leadership that *can exploit conflict and tension within persons’ value structures*” (p. 122). However, followers are by no means degraded to manipulated puppets. Ciulla states:

In Burns’ model, dialogue emerges out of conflicts in which both leaders and followers move towards agreement about shared moral values, and in this process they elevate each other’s moral values. Change comes when they agree on higher-order values about what is important. (2013, p. xxviii)

Finally, it may well be that the fate of transforming leaders is to become obsolete at some point as they might be outstripped by their developing followers, who become leaders themselves (Burns, 2003).

As mentioned earlier, Burns’s theory of transforming leadership was inspirational for Bass’s theory of transformational leadership. Transformational leadership and the similar theory of charismatic leadership (e.g. Conger & Kanungo, 1987) have dominated the scientific and practitioner leadership literature in the recent years (Tejeda, Scandura, & Pillai, 2001). Bass (1985b) developed a measurement instrument of transformational leadership and found that transformational leadership consists of the following dimensions: *charismatic leadership*—later renamed as *idealized influence* (Bass & Avolio, 1990)—

inspirational motivation, intellectual stimulation and individualized consideration. In contrast to Burns's theory of transforming leadership, transformational leadership did not include explicit overarching moral norms, but focused more on effectiveness, more precisely on how a leader implements the behavioral dimensions in order to raise the performance level of the followers (Ciulla, 2013). However, a few years later, Bass and Steidlmeier (1999) reintegrated ethics into the theory of transformational leadership by distinguishing between an ethical (named *authentic transformational leadership*) and an unethical (named *pseudo-transformational leadership*) version of transformational leadership.

Authentic Leadership

Scholars of authentic leadership have traced the concept of authenticity as far back as to ancient Greek philosophy. However, the majority of research on authentic leadership has been published in the last decade, with a notable peak in 2005 (W. L. Gardner, Coglisier, Davis, & Dickens, 2011). In their extensive review of authentic leadership, Gardner et al. (2011) cite no less than 13 different definitions and at least five measuring scales of authentic leadership. The common ground of these various conceptualizations is that "staying true to one's values is important" (p. 1129). However, there has been some dissensus whether these values are supposed to be moral or not. While Shamir and Eilam (2005) explicitly refrain from tying their concept of authentic leadership to any kind of normative claim, the majority of authors have linked authentic leadership with

morality (e.g. Avolio & Gardner, 2005; Walumbwa, Avolio, Gardner, Wernsing, & Peterson, 2008).

Walumbwa et al. (2008) provide the following definition of authentic leadership:

“(...) a pattern of leader behavior that draws upon and promotes both positive psychological capacities and a positive ethical climate, to foster greater self-awareness, an internalized moral perspective, balanced processing of information, and relational transparency on the part of leaders working with followers, fostering positive self-development.” (p. 94).

This definition includes the four key dimensions of the authentic leadership concept of: *self-awareness*, *relational transparency*, *balanced processing*, and *internalized moral perspective*. While self-awareness refers to “understanding one’s strengths and weaknesses and the multifaceted nature of the self” and also “one’s impact on other people” (Walumbwa et al., 2008, p. 95), relational transparency is about presenting oneself authentically. Balanced processing means that an authentic leader objectively analyzes all relevant information before reaching a decision. Internalized moral perspective, in turn, refers to a self-regulation which is “guided by internal moral standards and values versus group, organizational, and societal pressures” (Walumbwa et al., 2008, p. 96) and is supposed to lead to the corresponding behavior and decision making.

Although research on authentic leadership has grown during the last ten years, Gardner et al. (2011) diagnosed that the field is still in a nascent state and called for more rigorous research using a wider range of methods to investigate

theory building and testing, and the antecedents, consequences and development of authentic leadership.

Responsible Leadership

Responsible leadership is another promising addition to the developing field of normative leadership theories. Responsible leadership theory focuses on the leader's concern for others. The main aim is "(...) to clarify, who the "others" are and what responding to their concern entails" (Pless & Maak, 2011, p. 4). The core idea of responsible leadership is that leaders should be concerned not only about singular groups of people such as shareholders, or followers, but about many different kinds of stakeholders. As such, the responsible leadership theory heavily draws from stakeholder theory (Freeman, 1984). More precisely, it "provides a convincing perspective on how to connect leadership to stakeholder theory" (Pless & Maak, 2011, p. 6).

Stakeholder theory has become very prominent in the last decades (Laplume, Sonpar, & Litz, 2008), and the term 'stakeholder' is used abundantly in the current management literature, both scientific and professional (Donaldson & Preston, 1995). Stakeholders can be employees, customers, suppliers: in fact, "any group or individual who can affect or is affected by the achievement of the organization's objectives" (Freeman, 1984, p. 46). Normative stakeholder theory postulates that leaders should pay "simultaneous attention to the legitimate interests of all appropriate stakeholders" (Donaldson & Preston, 1995, p. 67).

Accordingly, responsible leadership was defined as a

“values-based and through ethical principles driven relationship between leaders and stakeholders who are connected through a shared sense of meaning and purpose through which they raise one another to higher levels of motivation and commitment for achieving sustainable values creation and social change”. (Pless, 2007, p. 438)

However, this definition also goes beyond stakeholder theory as it echoes Burns’s (1978) idea that leadership through shared purpose and visions creates a process of mutual moral development between leader and followers.

Despite promising beginnings, Pless and Maak (2011, p. 11) conclude that “The field of responsible leadership is still in its infancy”. Multiple attempts have been made to define responsible leadership and to underpin the theory with a more precise moral base. No consensus has been achieved yet, and further theoretical development and empirical research, including the development of measurement instruments, remain crucial (Pless & Maak, 2011; Voegtlin, 2011; Waldman, 2011).

Ethical Leadership

The concept of ethical leadership was first introduced by Treviño et al. in 2003 and has received a remarkable amount of scholarly interest ever since. The concept straightforwardly stresses the ethical conduct of not only the leader but also the followers. One of the core questions is: What kind of leadership effectively enhances ethical conduct in organizations? Ethical leadership, therefore, promises to answer recent public outcries for more ethical conduct in business organizations. However, the scientific success of the concept may also be partly explained by the early development of a well validated and easy-to-use

measurement instrument, the Ethical Leadership Scale (Brown et al., 2005), which has led the way to a variety of empirical studies on ethical leadership (for an overview see Chapter 2).

The concept of ethical leadership offers a descriptive approach rather than a normative approach to leadership ethics. It was developed by interviewing senior executives and corporate ethics officers and, therefore, mirrors these people's opinions on what ethical leadership is rather than normatively arguing for what leadership should be like to deserve the label *ethical*. Likewise, the Ethical Leadership Scale measures whether leaders are perceived by their followers as ethical leaders rather than whether they really are ethical leaders. However, Brown et al. (2005) argue that being perceived as an ethical leader is crucial for enhancing moral conduct in organizations.

Brown et al. (2005, p. 120) defined ethical leadership as “the demonstration of normatively appropriate conduct through personal action and interpersonal relationships, and the promotion of such conduct to followers through two-way communication and decision-making”. This definition mirrors two important aspects of ethical leadership: being a moral person and a moral manager (Brown & Treviño, 2006).

To be a *moral person*, the leader has to behave normatively appropriately. Although the concept of ethical leadership does not provide a definition of what normatively appropriate behavior entails, a few examples are offered, such as being fair, honest, trustworthy, and caring (Brown et al., 2005). As such, ethical leadership overlaps considerably with theories of fairness or organizational

justice. In the social scientific literature, fairness refers to a descriptive concept of what people in organizations perceive to be fair, which should not be confused with normative concepts of justice or fairness (e.g. Miller, 1999; Rawls, 1971; Wettstein, 2009). Fairness in the descriptive sense has been a widely researched topic in recent decades (Cohen-Charash & Spector, 2001; Colquitt, 2001). Several aspects of fairness have been distinguished in the social scientific literature: distributive fairness, that is, fair distribution of outcomes; procedural fairness, that is, fair decision processes; interpersonal fairness, that is, treatment with dignity and respect; and informational fairness, that is, timely and accurate information (Colquitt, 2001). Fairness in this sense encompasses a wide set of moral leadership behaviors, and, therefore, mirrors the moral person aspect of ethical leadership. Accordingly, Brown et al. (2005) went so far as to raise the question whether ethical leadership is nothing else than the demonstration of fair treatment of followers.

However, ethical leadership goes beyond fair treatment of followers in that an ethical leader is not only a moral person but also a *moral manager* (Brown & Treviño, 2006; Brown et al., 2005). As a moral manager, the leader manages the moral conduct of followers by communicating about ethical issues, by rewarding the followers' ethical behavior, and by disciplining their unethical behavior. The moral manager, therefore, uses means of transactional leadership to influence the followers' ethical behavior.

To explain how an ethical leader influences followers, Brown and Treviño (2006) draw on both social learning theory and social exchange theory. Social learning theory (Bandura, 1977, 1986) states that people learn in social contexts

by observing and imitating attractive and credible role models. Attractive and credible role models draw attention to their behavior, which facilitates social learning. According to Brown and Treviño (2006), ethical leaders are bound to be attractive role models by means of their prestigious status, power, and concern for their followers. Ethical leaders are also credible role models because they “practice what they preach” (Brown & Treviño, 2006, p. 597). Furthermore, the behavior of the moral manager, such as communicating clear ethical standards and reinforcing these through reward and punishment, enhances social learning of normatively appropriate behavior, as it makes it very salient for followers what kind of behavior is not accepted in their organization (Brown & Treviño, 2006; Brown et al., 2005).

However, Brown and Treviño (2006) drew not only on social learning theory but also on social exchange theory to explain how followers react to ethical leadership. Social exchange theory (Blau, 1964) states that, apart from transactional exchange, social exchange is also an important characteristic of social relationships. In contrast to transactional exchange, which is contract-like (e.g. working for money), social exchange is based on the norm of reciprocity. According to Brown et al. (2005), the ethical leader’s fair behavior towards followers evokes the followers’ trust and gratitude. Consequently, the followers want to reciprocate this fair treatment by refraining from counterproductive behavior (behavior which could harm the leader and the organization) and, furthermore, by showing prosocial behavior, such as organizational citizenship behavior.

In conclusion, an ethical leader is both, a moral person and a moral manager and so enhances followers' ethical behavior through the mechanisms of social learning and social exchange.

Normative leadership theories: Overlaps and specific contributions

The previous sections have discussed several influential leadership theories which explicitly focus on ethics. These theories overlap considerably. Accordingly, it is not surprising that these leadership styles tend to correlate highly with each other whenever measurement instruments are available (Brown et al., 2005; Toor & Ofori, 2009; van Dierendonck & Nuijten, 2011; Voegtlin, 2011; Walumbwa et al., 2008). However, each theory also offers a specific characteristic and contribution to leadership theory, which distinguishes the theories from each other. Although a full discussion of all the overlaps and specific contributions of all the theories is beyond the scope of this dissertation, a few general remarks shall be made.

The main overlap of these theories, obviously, can be found in their explicit inclusion of moral aspects. More precisely, according to all these theories, the leader shows a concern for the welfare of others. Effectiveness as a main goal of leadership is at least balanced if not overruled by this concern for others. The extent to which the leader is concerned varies over the theories. For example, while servant leaders fully devote themselves to the personal growth of their followers (Greenleaf, 2002), an ethical leader would find it sufficient to behave fairly, honestly, and caringly towards followers (Brown et al., 2005). Furthermore, not only the extent of the concern varies over the theories, but also the addressees. Figure 1.1. gives an overview of which group of people leaders

care about according to the different theories. While both ethical and authentic leadership tend to focus on the employees' welfare and do not explicitly specify any other groups as the objects of care, responsible and transforming leaders are concerned with a much broader range of people, as they focus on many stakeholder groups or even on humanity in general.

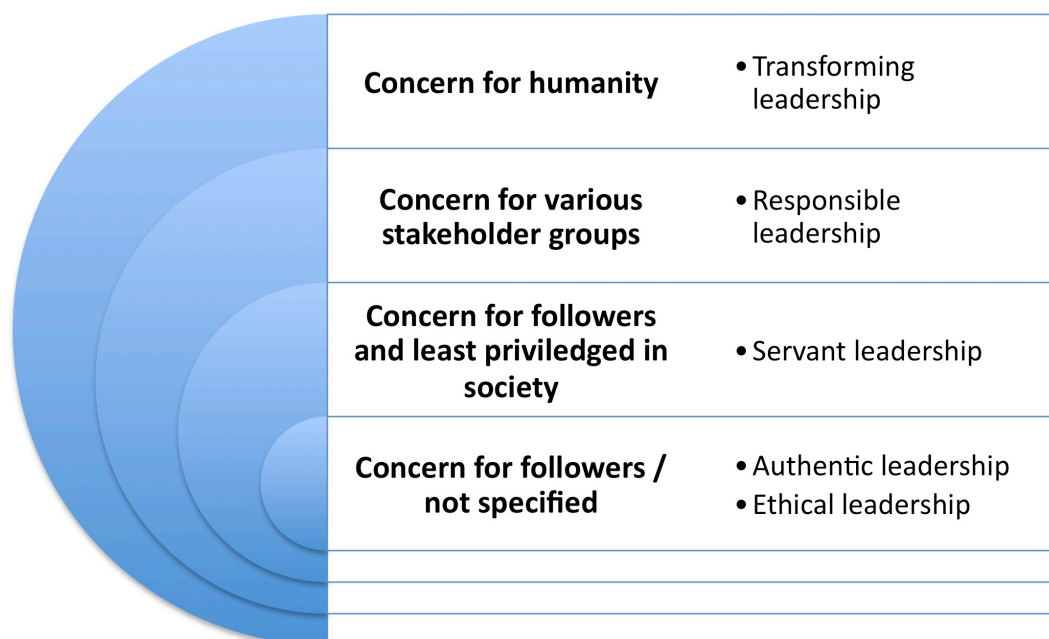


Figure 1.1. Leadership theories and the leader's concern for others

Although the theories vary regarding the addressees and extents of leaders' concern for others, the theories tend to prescribe or describe at least some kind of fairness of leaders towards the followers. Accordingly, these leadership styles tend to correlate highly whenever data is available, not only with each other but also with the leader's fairness (Brown et al., 2005; Ehrhart, 2004; Hsiung, 2011; Loi, Lam, & Chan, 2011; Mayer et al., 2012; Neubert, Carlson, Kacmar, Roberts,

& Chonko, 2009; Walumbwa et al., 2011). In conclusion, we may say that fairness towards the followers is where these theories meet.

Apart from the leader's fairness towards followers, every theory additionally focuses on specific aspects which characterize their unique contribution to the field. Servant leadership focuses on the leader's motivation to serve the followers by enhancing their personal growth (Greenleaf, 2002). Transforming leadership stresses the mutual growth of leaders and followers towards higher stages of morality by exploiting the followers' value conflicts and inspiring them to adopt higher values, such as equality (Burns, 1978). Authentic leadership emphasizes self-awareness, authentic presentation of the self towards others, and retaining and acting according to one's moral values (Walumbwa et al., 2008). Responsible leadership accentuates the leader's responsibility not only towards single groups, such as followers, but towards a broader range of stakeholders (Pless & Maak, 2011).

Ethical leadership (Brown & Treviño, 2006; Brown et al., 2005), finally, distinguishes itself from other theories through its dimension of the moral manager. Ethical leaders are concerned—if not exactly with the ethical growth of the followers, as a transforming leader would be—with the ethical behavior of the followers. The ethical leader endeavors to enhance the followers' ethical behavior by the transactional means of reward and punishment, and through the mechanisms of social learning and social exchange. However, social learning and social exchange could probably also be claimed by the other theories, as all these types of leaders tend to be fair towards followers and could be perceived as credible and attractive role models. But Brown and Trevino (2006) argue that the

transactional rewarding and disciplining behavior of the leader makes it especially salient to followers what kind of behavior is appropriate for them, which particularly advances social learning.

While the moral manager dimension differentiates ethical leadership from the other theories, the moral person dimension overlaps with other theories. The moral person dimension of the ethical leader basically refers to the same behaviors as the concept of fairness mentioned earlier (Colquitt, 2001) which can be applied to all the theories discussed.

In conclusion, all these theories overlap in that they embrace the leader's fairness towards the followers; however, every theory additionally stresses specific aspects of leadership ethics.

Aims of this Dissertation, Research Questions and Outline of the Studies

Ethical leadership (Brown et al., 2005) has proved to be a promising concept; however, several crucial pieces of the puzzle are still missing. The general purpose of this dissertation is to reconsider ethical leadership and, by using empirical data, to enhance a more precise understanding of the phenomenon of ethical leadership. More specifically, the following three aims are pursued: (a) to further clarify the concept of ethical leadership, (b) to investigate the ethical conduct of the followers as a consequence of ethical leadership, and (c) to investigate the difference between ethical leadership and fair leadership. Table 1.1. gives an overview of the aims, research questions, and studies of this dissertation. Study 1 in Chapter 3 pursues the first aim of this dissertation, while Studies 2 and 3 address the second and third aim.

Table 1.1. Outline of the Dissertation

Aims	Research Questions	Studies	Chapters
a) Further clarify the concept of EL	1. Which behaviors are normatively appropriate? 2. Which stakeholders are important? 3. What are antecedents of EL? 4. What are consequences of EL?	Study 1	Chapter 2
b) Investigate followers' ethical conduct as consequence of EL	5. Does EL enhance followers' ethical behavior towards <i>internal</i> stakeholders? 6. Does EL enhance followers' ethical behavior towards <i>external</i> stakeholders?	Study 2 ^a Study 3 ^b	Chapter 3
c) Investigate difference between EL and fair leadership	7. Do EL and fair leadership produce different effects on followers' ethical behavior towards <i>internal</i> stakeholders? 8. Do EL and fair leadership produce different effects on followers' ethical behavior towards <i>external</i> stakeholders?	Study 2 ^a Study 3 ^b	Chapter 3

Note. EL = Ethical Leadership

^aIn Chapter 3 Study 2 is being referred to as *Study 1*

^bIn Chapter 3 Study 3 is being referred to as *Study 2*

Study 1: New Insights Into Ethical Leadership

The first aim of this dissertation is to further clarify the concept of ethical leadership. Although the concept of ethical leadership has inspired an impressive number of empirical studies, as will be discussed in Chapter 2, several scholars have argued that the concept remains theoretically underdetermined (Eisenbeiss, 2012; Giessner & Quaquebeke, 2011).

Firstly, ethical leaders are defined as behaving normatively appropriately, as doing “the right thing in terms of ethics” (Brown et al., 2005, p. 125). However, it remains unclear what the right thing is. This vagueness of concept is

problematic, as it may lead to a major divergence of opinion whether a specific leader is an ethical leader or not. Furthermore, it remains almost impossible to teach and train ethical leadership on a notion as vague as doing “the right thing in terms of ethics”. The first research question, therefore, is: Which specific behaviors does an ethical leader show, or in other words, which behaviors are normatively appropriate for a leader?

Secondly, research on ethical leadership has focused on the relationship between the leader and the followers (Pless & Maak, 2011). However, normative stakeholder theory suggests that it is normatively appropriate for leaders to care not only for single stakeholder groups, such as followers or shareholders, but for a wide range of stakeholder groups, such as customers, suppliers, and the local society (Donaldson & Preston, 1995). The second research question, therefore, is: Which stakeholders are important to an ethical leader, and how does the ethical leader behave towards these different groups of stakeholders?

Thirdly, we still know very little about antecedents of ethical leadership (Mayer et al., 2012). What enables and enhances ethical leadership? Fourthly, although the majority of empirical research on ethical leadership has focused on the consequences of ethical leadership (see Chapter 2 for an overview), almost all these studies investigated the effects of ethical leadership on employees. What are effects of ethical leadership on other stakeholders than employees? For example, what kind of effects does ethical leadership have on customers?

Study 1 in Chapter 2 aims at answering these four research questions. As little previous research has been conducted into these questions, an exploratory,

qualitative approach was appropriate. For Study 1, therefore, we conducted 17 interviews with executive ethical leaders and analyzed these interviews using qualitative content analysis (Mayring, 1983).

Studies 2 and 3: Ethical Leadership, Fairness and Employees' Unethical Conduct

The Studies³ 2 and 3 in Chapter 3 address the second and third aims of this dissertation. The second aim is to investigate the ethical conduct of the followers as a consequence of ethical leadership. That the ethical leader enhances the ethical behavior of the followers is one of the core ideas of the ethical leadership concept (Brown & Treviño, 2006). However, remarkably little research has yet examined this proposition, and then only in terms of the employees' unethical behavior towards internal stakeholders (Brown et al., 2005; Cornelis, Van Hiel, De Cremer, & Mayer, 2013; Mayer et al., 2012; Mayer et al., 2010; Mayer, Kuenzi, Greenbaum, Bardes, & Salvador, 2009). This is surprising, because major business scandals have very often involved unethical behavior not only towards internal but also towards external stakeholders, such as customers or the local society. The aim, therefore, is to investigate whether ethical leadership increases followers' ethical behavior not only towards internal stakeholders, such as their leader and the company (research question no. 5, Study 2), but also towards external stakeholders, such as customers (research question no. 6, Study 3).

The third aim of this dissertation is to investigate the difference between ethical leadership and fair leadership. As discussed in earlier sections, the ethical

³ In Chapter 3, Study 2 is referred to as *Study 1* and Study 3 is referred to as *Study 2*.

leadership and fairness—as defined in the social scientific literature (e.g. Colquitt, 2001)—of the leader overlap considerably, as the moral person aspect of the ethical leader is basically equal to the leader’s fairness towards the employees. However, an ethical leader is additionally conceptualized as a moral manager. Nonetheless, empirical evidence for the distinctiveness of ethical and fair leadership remains scarce (Mayer et al., 2012; Walumbwa et al., 2011). Therefore, the aim is to add empirical evidence by investigating whether and in which situations ethical leadership is more effective in enhancing followers’ ethical behavior than fair leadership. Accordingly, we ask: Do ethical and fair leadership produce different effects on followers’ ethical behavior towards internal stakeholders on one hand (research question no. 7, Study 2), and towards external stakeholders on the other hand (research question no. 8, Study 3)?

As these questions refer to a causal relationship between leadership and followers’ (un)ethical behavior, an experimental approach was chosen for Studies 2 and 3; we conducted online experiments using scenarios to manipulate leadership as an independent variable and examined its effect on employees’ unethical behavior.

Importance of the Research Questions

The research questions are important because their answers may contribute several crucial missing pieces to the emerging puzzle of ethical leadership. First of all, the answers may draw a more precise picture of the specific behaviors of ethical leaders and therefore pave the way for the developments of more precise

measurement instruments and curricula for training and teaching of ethical leadership.

Secondly, our results will help to clarifying whether ethical leadership “lives up to its promises”, thus, whether ethical leadership really enhances ethical conduct in organizations. This is important, because if ethical leadership does not prove to enhance ethical conduct, it might not be worthwhile pursuing at all; enhancing the followers’ ethical behavior is a core idea of the concept. However, if it does, ethical leadership may be a powerful resource for preventing future business scandals.

Thirdly, our results will add to the question whether ethical leadership really is a valuable theoretical and practical concept of its own or whether it is merely “old wine in a new bottles”, as it may be not much different from the fairness of the leader.

References

- Avolio, B. J., & Gardner, W. L. (2005). Authentic leadership development: Getting to the root of positive forms of leadership. *The Leadership Quarterly*, 16(3), 315-338. doi: 10.1016/j.leaqua.2005.03.001
- Bandura, A. (1977). *Social learning theory*. Oxford: Prentice-Hall.
- Bandura, A. (1986). *Social foundations of thought and action: A social cognitive theory*. Englewood Cliffs: Prentice-Hall.
- Bass, B. M. (1985a). *Leadership and performance beyond expectations*. New York: Free Press.
- Bass, B. M. (1985b). *The multifactor leadership questionnaire: Form 5*. Binghamton: State University of New York.
- Bass, B. M., & Avolio, B. J. (1990). Developing transformational leadership: 1992 and beyond. *Journal of European Industrial Training*, 14(5), 21-27.
- Bass, B. M., & Bass, R. (2008). *The Bass handbook of leadership: Theory, research, and managerial applications*. New York: Free Press.
- Bass, B. M., & Steidlmeier, P. (1999). Ethics, character, and authentic transformational leadership behavior. *The Leadership Quarterly*, 10(2), 181-217. doi: 10.1016/s1048-9843(99)00016-8
- Blau, P. M. (1964). *Exchange and power in social life*. New York: Wiley.
- Brown, M. E., & Treviño, L. K. (2006). Ethical leadership: A review and future directions. *The Leadership Quarterly*, 17(6), 595-616. doi: 10.1016/j.leaqua.2006.10.004

-
- Brown, M. E., Treviño, L. K., & Harrison, D. A. (2005). Ethical leadership: A social learning perspective for construct development and testing. *Organizational Behavior and Human Decision Processes*, 97(2), 117-134. doi: 10.1016/j.obhdp.2005.03.002
- Burns, J. M. (1978). *Leadership*. Oxford: Harper & Row.
- Burns, J. M. (2003). *Transforming Leadership*. New York: Grove Press.
- Ciulla, J. B. (1995). Leadership ethics: Mapping the territory. *Business Ethics Quarterly*, 5(1), 5-28.
- Ciulla, J. B. (2003). *The ethics of leadership*. Belmont, CA: Wadsworth Publishing.
- Ciulla, J. B. (2013). Introduction: Theoretical aspects of leadership. In J. B. Ciulla, M. Uhl-Bien & P. H. Werhane (Eds.), *Leadership ethics* (Vol. 1, pp. xxv-xxxvii). London: Sage.
- Cohen-Charash, Y., & Spector, P. E. (2001). The role of justice in organizations: A meta-analysis. *Organizational Behavior and Human Decision Processes*, 86(2), 278-321. doi: 10.1006/obhd.2001.2958
- Colquitt, J. A. (2001). On the dimensionality of organizational justice: A construct validation of a measure. *Journal of Applied Psychology*, 86(3), 386-400. doi: 10.1037/0021-9010.86.3.386
- Conger, J. A., & Kanungo, R. N. (1987). Toward a behavioral theory of charismatic leadership in organizational settings. *The Academy of Management Review*, 12(4), 637-647. doi: 10.2307/258069
- Cornelis, I., Van Hiel, A., De Cremer, D., & Mayer, D. M. (2013). When leaders choose to be fair: Follower belongingness needs and leader empathy

- influences leaders' adherence to procedural fairness rules. *Journal of Experimental Social Psychology*, 49(4), 605-613. doi: 10.1016/j.jesp.2013.02.016
- Deigh, J. (2010). *An introduction to ethics*. Cambridge: Cambridge University Press.
- Den Hartog, D. N., & De Hoogh, A. H. B. (2009). Empowering behaviour and leader fairness and integrity: Studying perceptions of ethical leader behaviour from a levels-of-analysis perspective. *European Journal of Work and Organizational Psychology*, 18(2), 199-230. doi: 10.1080/13594320802362688
- Donaldson, T., & Preston, L. E. (1995). The stakeholder theory of the corporation: Concepts, evidence, and implications. *Academy of Management Review*, 20(1), 65-91. doi: 10.5465/amr.1995.9503271992
- Ehrhart, M. G. (2004). Leadership and procedural justice climate as antecedents of unit-level organizational citizenship behavior. *Personnel Psychology*, 57(1), 61-94. doi: 10.1111/j.1744-6570.2004.tb02484.x
- Eisenbeiss, S. A. (2012). Re-thinking ethical leadership: An interdisciplinary integrative approach. *The Leadership Quarterly*, 23(5), 791-808. doi: 10.1016/j.leaqua.2012.03.001
- Freeman, R. E. (1984). *Strategic management: A stakeholder approach*. Boston: Pitman.
- Gardner, J. W. (2013). The moral aspect of leadership. In J. B. Ciulla, M. Uhl-Bien & P. H. Werhane (Eds.), *Leadership ethics* (Vol. 1). London: Sage.

Gardner, W. L., Coglisier, C. C., Davis, K. M., & Dickens, M. P. (2011).

Authentic leadership: A review of the literature and research agenda. *The Leadership Quarterly*, 22(6), 1120-1145. doi:

10.1016/j.leaqua.2011.09.007

Gensler, H. J. (2011). *Ethics: A contemporary introduction* (2nd ed.). New York: Routledge.

Giessner, S., & Quaquebeke, N. (2011). Using a relational models perspective to understand normatively appropriate conduct in ethical leadership. *Journal of Business Ethics*, 95, 43-55. doi: 10.1007/s10551-011-0790-4

Greenleaf, R. K. (2002). *Servant leadership: A journey into the nature of legitimate power and greatness* (25th anniversary ed.). New York: Paulist Press.

Hesse, H. (2007). *The journey to the east* (P. Owen, Trans.). London: Peter Owen Publishers.

Hoffman, B. J., Woehr, D. J., Maldagen-Youngjohn, R., & Lyons, B. D. (2011).

Great man or great myth? A quantitative review of the relationship between individual differences and leader effectiveness. *Journal of*

Occupational and Organizational Psychology, 84(2), 347-381. doi:

10.1348/096317909x485207

Howell, J. M. (1988). Two faces of charisma: Socialized and personalized leadership in organizations. In J. A. Conger & N. Rabindra (Eds.), *Charismatic leadership: The elusive factor in organizational effectiveness* (pp. 213-236). San Francisco: Jossey-Bass.

- Hsiung, H.-H. (2011). Authentic leadership and employee voice behavior: A multi-level psychological process. *Journal of Business Ethics*, 107(3), 349-361. doi: 10.1007/s10551-011-1043-2
- Huppenbauer, M., & Tanner, C. (2014). Ethical leadership: How to integrate empirical and ethical aspects for promoting moral decision making in business practice. In M. Christen, C. van Schaik, J. Fischer, M. Huppenbauer & C. Tanner (Eds.), *Empirically informed ethics: Morality between facts and norms* (pp. 239-254). Cham: Springer International Publishing Switzerland.
- Irish Independent (Producer). (2013a, October 24th, 2013). Inside Anglo, Day one: Clip 1 - The secret recordings. Retrieved from <http://www.independent.ie/business/irish/tapes-that-reveal-what-really-led-to-national-collapse-29366839.html>
- Irish Independent (Producer). (2013b, October 24th, 2013). Inside Anglo, Day one: Clip 3 - The secret recordings. Retrieved from <http://www.independent.ie/business/irish/tapes-that-reveal-what-really-led-to-national-collapse-29366839.html>
- Irish Independent. (2013c). Inside Anglo: The secret recordings. Retrieved October 24th, 2013 <http://www.independent.ie/business/irish/inside-anglo-the-secret-recordings-29366837.html>
- Kalshoven, K., Den Hartog, D. N., & De Hoogh, A. H. B. (2011). Ethical leadership at work questionnaire (ELW): Development and validation of a

- multidimensional measure. *The Leadership Quarterly*, 22(1), 51-69. doi: 10.1016/j.leaqua.2010.12.007
- Kinsella, S., & Aliti, G. T.-T. (2013). Modeling moments of crisis: The case of ireland. *Journal of Economic Issues*, 47(2), 561-566. doi: 10.2753/jei0021-3624470230
- Ladd, A. E. (2011). Pandora's well: Hubris, deregulation, fossil fuels, and the BP oil disaster in the gulf. *American Behavioral Scientist*, 56(1), 104-127. doi: 10.1177/0002764211409195
- Laplume, A. O., Sonpar, K., & Litz, R. A. (2008). Stakeholder theory: Reviewing a theory that moves us. *Journal of Management*, 34(6), 1152-1189. doi: 10.1177/0149206308324322
- Lewis, H. S. (1974). *Leaders and followers: Some anthropological perspectives*. Reading: Addison-Wesley.
- Loi, R., Lam, L. W., & Chan, K. W. (2011). Coping with job insecurity: The role of procedural Justice, ethical leadership and power distance orientation. *Journal of Business Ethics*, 108(3), 361-372. doi: 10.1007/s10551-011-1095-3
- Mayer, D. M., Aquino, K., Greenbaum, R., & Kuenzi, M. (2012). Who displays ethical leadership, and why does it matter? An examination of antecedents and consequences of ethical leadership. *Academy of Management Journal*, 55(1), 151-171. doi: 10.5465/amj.2008.0276
- Mayer, D. M., Kuenzi, M., & Greenbaum, R. (2010). Examining the link between ethical leadership and employee misconduct: The mediating role of ethical

- climate. *Journal of Business Ethics*, 95(0), 7-16. doi: 10.1007/s10551-011-0794-0
- Mayer, D. M., Kuenzi, M., Greenbaum, R., Bardes, M., & Salvador, R. (2009). How low does ethical leadership flow? Test of a trickle-down model. *Organizational Behavior and Human Decision Processes*, 108(1), 1-13. doi: 10.1016/j.obhdp.2008.04.002
- Mayring, P. (1983). *Qualitative Inhaltsanalyse: Grundlagen und Techniken* [Qualitative Content Analysis: Basics and techniques]. Weinheim: Beltz.
- Miller, D. (1999). *Principles of social justice*. Cambridge: Harvard University Press.
- Neubert, M. J., Carlson, D. S., Kacmar, K. M., Roberts, J. A., & Chonko, L. B. (2009). The virtuous influence of ethical leadership behavior: Evidence from the field. *Journal of Business Ethics*, 90(2), 157-170. doi: 10.1007/s10551-009-0037-9
- Owens, L. A. (2012). The polls - trends: Confidence in banks, financial institutions, and Wall Street, 1971-2011. *Public Opinion Quarterly*, 76(1), 142-162. doi: 10.1093/poq/nfr059
- Parris, D. L., & Peachey, J. W. (2013). A systematic literature review of servant leadership theory in organizational contexts. *Journal of Business Ethics*, 113(3), 377-393. doi: 10.1007/s10551-012-1322-6
- Pauer-Studer, H. (2010). *Einführung in die Ethik* [Introduction to ethics] (2nd ed.). Wien: Facultas.

- Pless, N. M. (2007). Understanding responsible leadership: Role identity and motivational drivers. *Journal of Business Ethics*, 74(4), 437-456. doi: 10.1007/s10551-007-9518-x
- Pless, N. M., & Maak, T. (2011). Responsible Leadership: Pathways to the future. *Journal of Business Ethics*, 98(S1), 3-13. doi: 10.1007/s10551-011-1114-4
- Rawls, J. (1971). *A theory of justice*. Cambridge: Harvard University Press.
- Rost, J. C. (1993). Leadership development in the new millennium. *Journal of Leadership Studies*, 1(1), 91-110. doi: 10.1177/107179199300100109
- Schaubroeck, J. M., Hannah, S. T., Avolio, B. J., Kozlowski, S. W. J., Lord, R. G., Treviño, L. K., . . . Peng, A. C. (2012). Embedding ethical leadership within and across organizational levels. *Academy of Management Journal*, 55(5), 1053-1078. doi: 10.5465/amj.2011.0064
- Shamir, B., & Eilam, G. (2005). "What's your story?" A life-stories approach to authentic leadership development. *The Leadership Quarterly*, 16(3), 395-417. doi: 10.1016/j.leaqua.2005.03.005
- Stone, O. (Director). (1987). *Wall Street*. United States: 20th Century Fox.
- Stone, O. (Director). (2010). *Wall Street: Money never sleeps*. United States: 20th Century Fox.
- Tännsjö, T. (2002). *Understanding ethics: An introduction to moral theory*. Edinburgh: Edinburgh University Press.
- Tejeda, M. J., Scandura, T. A., & Pillai, R. (2001). The MLQ revisited: Psychometric properties and recommendations. *The Leadership Quarterly*, 12(1), 31-52. doi: 10.1016/s1048-9843(01)00063-7

- Toor, S.-u.-R., & Ofori, G. (2009). Ethical leadership: Examining the relationships with full range leadership model, employee outcomes, and organizational culture. *Journal of Business Ethics*, 90(4), 533-547. doi: 10.1007/s10551-009-0059-3
- Treviño, L. K., Brown, M. E., & Hartman, L. P. (2003). A qualitative investigation of perceived executive ethical leadership: Perceptions from inside and outside the executive suite. *Human Relations*, 56(1), 5-37. doi: 10.1177/0018726703056001448
- van Dierendonck, D. (2010). Servant leadership: A review and synthesis. *Journal of Management*, 37(4), 1228-1261. doi: 10.1177/0149206310380462
- van Dierendonck, D., & Nuijten, I. (2011). The servant leadership survey: Development and validation of a multidimensional measure. *Journal of Business and Psychology*, 26(3), 249-267. doi: 10.1007/s10869-010-9194-1
- Voegtlin, C. (2011). Development of a scale measuring discursive responsible leadership. *Journal of Business Ethics*, 98(S1), 57-73. doi: 10.1007/s10551-011-1020-9
- Waldman, D. A. (2011). Moving forward with the concept of responsible leadership: Three caveats to guide theory and research. *Journal of Business Ethics*, 98(0), 75-83. doi: 10.1007/s10551-011-1021-8
- Walumbwa, F. O., Avolio, B. J., Gardner, W. L., Wernsing, T. S., & Peterson, S. J. (2008). Authentic leadership: Development and validation of a theory-

based measure *Journal of Management*, 34(1), 89-126. doi:

10.1177/0149206307308913

- Walumbwa, F. O., Mayer, D. M., Wang, P., Wang, H., Workman, K., & Christensen, A. L. (2011). Linking ethical leadership to employee performance: The roles of leader–member exchange, self-efficacy, and organizational identification. *Organizational Behavior and Human Decision Processes*, 115(2), 204-213. doi: 10.1016/j.obhdp.2010.11.002
- Wettstein, F. (2009). *Multinational corporations and global justice: Human rights obligations of a quasi-governmental institution*. Stanford: Stanford University Press.
- Williams, P. (2013a). Inside Anglo: the secret recordings. *Irish Independent*. Retrieved from <http://www.independent.ie/business/irish/inside-anglo-the-secret-recordings-29366837.html>
- Williams, P. (2013b). Tapes that reveal what really led to national collapse. *Irish Independent*. Retrieved from <http://www.independent.ie/business/irish/tapes-that-reveal-what-really-led-to-national-collapse-29366839.html>

2.

New Insights into Ethical Leadership: A Qualitative Investigation of the Experiences of Executive Ethical Leaders

Colina Frisch & Markus Huppenbauer

University of Zurich

Published online first, 11 July 2013:

Frisch, C., & Huppenbauer, M. (2013). New insights into ethical leadership: A qualitative investigation of the experiences of executive ethical leaders. *Journal of Business Ethics*. doi: 10.1007/s10551-013-1797-9

Colina Frisch (corresponding author)

URPP for Ethics, Research Priority Programme for Ethics, University of Zurich,
Zollikerstrasse 117, 8008 Zurich, Switzerland, e-mail: colina.frisch@ethik.uzh.ch

Acknowledgments:

This research was supported by the URPP for Ethics and Forschungskredit of the University of Zurich. We wish to thank Klaus Jonas and two anonymous reviewers for their helpful comments.

Abstract

Ethical leadership has become a thriving research field. However, on reviewing previous research, we argue that several fundamental questions remain unclear and need further investigation. (1) Ethical leaders are defined as behaving “normatively appropriate[ly]” (Brown, Treviño, & Harrison, 2005, p. 120), but it remains unclear what this entails. What specific behaviours does an ethical leader show? (2) To date, ethical leadership has focused primarily on leader behaviour towards employees (Brown et al., 2005; Kalshoven, Den Hartog, & De Hoogh, 2011; Tanner, Brügger, van Schie, & Lebherz, 2010). Which stakeholders apart from employees are important to the ethical leader, and what kind of ethical behaviour does the ethical leader show towards them? (3) What are further antecedents and consequences of ethical leadership? We addressed these questions by qualitatively analysing interviews with 17, mostly Swiss, executive ethical leaders. The results indicate that executive ethical leaders care not only about employees but also about other stakeholders, such as customers, suppliers, owners of companies, the natural environment, and society. Additionally, this study identified a broad range of executive ethical leaders’ behaviours towards these stakeholders, and, therefore, may function as a useful resource for future quantitative studies. Furthermore, we identified several antecedents of executive ethical leadership, for example ethical role models, business strategy and owner’s values, and consequences such as effects on other stakeholders than employees. Finally, our results shed more light on the processes of ethical guidance of employees. Managerial implications and avenues for further research are discussed.

Keywords

business ethics; ethical behavior; ethical leadership; executive leadership;
stakeholder management

Abbreviations

ELS	Ethical Leadership Scale
ELBS	Ethical Leadership Behavior Scale
ELW	Ethical Leadership at Work Questionnaire

Introduction

Over recent decades, several business frauds and examples of scandalous management behaviour have generated much attention. With the increasing number of widely discussed scandals, the question has arisen how they could have been prevented. Politicians, jurists, economists, philosophers, theologians and psychologists have searched for strategies that could promote ethical, and prevent unethical, behaviour in enterprises. As a consequence, regulations (e.g., the Sarbanes-Oxley Act of 2002), voluntary commitments of different kinds (e.g., through codes of ethics), ethics programs and corporate ethics officers have been introduced. However, the effect of these measures has often been insufficient. Webley and Werner (2008), for instance, found that a code of ethics alone does not guarantee ethical behaviour on the part of an organisation, that instead there is frequently a considerable discrepancy between the code of ethics of an organisation and its members' actual ethical behaviour.

Over the last couple of years, the search for reasons for the poor effectiveness of such measures has increasingly focused on leaders and supervisors. Webley and Werner (2008) found the lack of commitment in the top management to be a cause, and several studies have shown that managers substantially influence the ethical or unethical behaviour of their subordinates (Brown & Treviño, 2006; Brown et al., 2005; Mayer, Kuenzi, Greenbaum, Bardes, & Salvador, 2009; Walumbwa, Avolio, Gardner, Wernsing, & Peterson, 2008). Likewise, research on leadership has increasingly paid attention to ethical aspects (Bass & Steidlmeier, 1999; Brown & Treviño, 2006; Brown et al., 2005;

Burns, 1978; Kanungo & Mendonca, 1996), and ethical leadership has emerged as a thriving research field.

Even though substantial and promising effort has been made to conceptualise and measure ethical leadership (Brown et al., 2005; Kalshoven et al., 2011; Tanner et al., 2010), we are still just beginning to understand this complex phenomenon, and several fundamental questions remain unclear. (1) Ethical leaders are said to behave normatively appropriately, to “do the right thing” (Brown et al., 2005). But what does this mean? Giessner and Quaquebeke (2011) and Eisenbeiss (2012) argued that it remains rather vague and called for a precise definition of what “normatively appropriate” entails. Other scholars have pointed out the need for further operationalisation of ethical leadership behaviour: What are the concrete, visible actions of ethical leaders? (Kalshoven et al., 2011; Tanner et al., 2010). (2) To date, the ethical leadership concept has principally focused on leadership behaviour towards subordinates. However, stakeholder theory (Donaldson & Preston, 1995; Freeman, 1994; Freeman, Harrison, Wicks, Parmar, & Colle, 2010) has emphasised that leaders should be attentive not only to the interests of their employees but also to those of other stakeholder groups (e.g., clients, shareholders, and suppliers). In order to complement our knowledge about ethical leadership, we need to find out which stakeholders ethical leaders consider to be important and what kind of ethical behaviour they show towards them. (3) We still know little about antecedents, of ethical leadership: What enables and enhances ethical leadership? What are the challenges to be overcome? And even though there has already been substantial research on consequences of

ethical leadership, several areas remain to be explored further: For example, how does ethical leadership affect other stakeholders than employees, such as customers or suppliers?

As these are fundamental, complex questions with little empirical research to draw answers from, we feel that an explorative, qualitative empirical approach is appropriate. As far as we are aware, the qualitative method has been applied only very rarely to ethical leadership (Lee & Cheng, 2010; Treviño, Brown, & Hartman, 2003), even though its usefulness for studying leadership has been emphasised: Conger (1998, p. 108) describes qualitative research as the “cornerstone methodology for understanding leadership”, though greatly underutilised, and continues: “[...] qualitative research must play an important role no matter what stage we are in the investigation of leadership topics” as it is particularly suitable for dealing with complex phenomena such as leadership. The main goal of this research, therefore, is to qualitatively investigate ethical leadership in order to deepen our understanding of this complex phenomenon and to build a resource for further conceptualisation and quantitative research.

Executive ethical leadership is considered to play a leading role in enhancing ethical behaviour in organisations (Treviño et al., 2003; Webley & Werner, 2008), as executive leaders usually have more power to genuinely influence organisations. Mayer et al. (2009), for instance, suggest a trickle-down model and find that ethical leadership flows down from executives to employees via the supervisory level. We therefore focused on executive ethical leadership and chose top-management leaders with an outstanding ethical reputation as interview partners. Contrary to Treviño et al. (2003), who focused on their

interview partners' perceptions of *other* people being ethical leaders and, therefore, explored ethical leadership from an external perspective, we spoke to ethical leaders themselves, aiming to understand ethical leadership from an internal perspective. We consider our approach to be an important addition to the ethical leadership research, as certain aspects may be only visible from an internal perspective. For example, employees or colleagues may be well aware of a leader's behaviour towards themselves, but not necessarily of the leader's behaviour towards other stakeholders.

In the following we will (a) give an overview of existing ethical leadership conceptualisation, measurement and research and illustrate the importance of the three research questions mentioned above, (b) present a qualitative, interview-based study with 17 executive ethical leaders, and (c) suggest several additions to the ethical leadership concept and indicate directions for future research.

Theoretical Foundation and Open Questions

Ethical Leadership Conceptualisation and Measurement

Even though ethical leadership has been discussed in philosophy for more than 2000 years (Ciulla, 2003), empirical research on ethics in leadership and management has only been conducted over the past few decades (Bass & Bass, 2008). Several leadership theories have embraced ethics as an integral part of their conceptualisation, for example transformational leadership theory (Burns, 1978), authentic transformational leadership (Bass & Steidlmeier, 1999), socialised charismatic leadership (Howell, 1988; Howell & Avolio, 1992), authentic leadership (Avolio & Gardner, 2005), spiritual leadership (Fry, 2003),

and servant leadership (Greenleaf, 2002). Brown et al. (2005) introduced the concept of ethical leadership and defined it as “(...) the demonstration of normatively appropriate conduct through personal action and interpersonal relationships, and the promotion of such conduct to followers through two-way communication and decision-making.” (Brown et al., 2005, p. 120). The definition implies two dimensions: Ethical leaders are both a “moral person” and a “moral manager” (Brown & Treviño, 2006, p. 597). Being a moral person means that an ethical leader behaves and relates normatively appropriately, that is, fairly, trustworthily, honestly, and caringly. Here, ethical leadership clearly overlaps with the other leadership concepts mentioned. But it also goes beyond them, since it adds a transactional component, the dimension of the moral manager: An ethical leader purposively promotes ethical conduct to his or her employees by communicating with them about ethics and decision behaviour, and by reward and punishment (Treviño & Brown, 2007).

Brown et al. (2005) have developed a tool for measuring Ethical Leadership, the Ethical Leadership Scale (ELS), through which the employees evaluate their leader. It contains ten items, such as: “Disciplines employees who violate ethical standards”, “Sets an example of how to do things the right way in terms of ethics”, “When making decisions, asks ‘what is the right thing to do?’” (Brown et al., 2005, p. 126). However, while the ELS has proven to be a valuable instrument, the items remain rather open and could be more precise. For instance, what does it mean “to do things the right way in terms of ethics”, and what are the ethical standards for whose violation employees should be disciplined? Tanner et al. (2010) criticised the ELS for being rather abstract and not sufficiently

specifying ethical behaviour. Furthermore, they pointed out that the ELS implicitly expects the employees, who rate their leader, to be competent in ethical conduct and standards; this however, is not self-evident. As a consequence, they developed a new measure—the Ethical Leadership Behaviour Scale (ELBS). The ELBS focuses on visible ethical behaviour of varying difficulty (costliness) across different situations. Example items are: “takes time to instruct new staff members”, “sticks to agreements”, and “helps to resolve team conflicts” (p. 229). Despite giving a much clearer idea of visible ethical behaviour than the ELS, none of the items represent the dimension of the ‘moral manager’. The ELBS does not measure any behaviour in terms of ethical guidance of the employees (e.g., discussion about ethics, setting ethical standards, and promoting ethical conduct).

Another instrument, the Ethical Leadership at Work Questionnaire (ELW) was recently developed by Kalshoven et al. (2011). Similarly to Tanner et al. (2010), they focused on various forms of ethical leader behaviour. They argued that a leader’s ethical behaviour is a combination of rather different behaviours with possibly distinct antecedents and outcomes, and they therefore proposed a multidimensional measure. The ELW contains seven scales: people orientation, fairness, power sharing, concern for sustainability, ethical guidance, role clarification, and integrity.

The authors of both instruments, the ELBS and the ELW, argued that further operationalisations of ethical leadership behaviour should be developed. Tanner et al. (2010) stated that more difficult (costly) ethical behaviour needs to be identified, and Kalshoven et al. (2011, p. 65) observed: “Given that ethical

leadership is in its early development and growing strongly, we should remain open to the possibility of developing more detailed models of ethical leadership". They added that their scales "concern for sustainability" and "concern for society" should in particular be further developed. The latter had to be excluded, as the items did not cluster together satisfyingly. Given these calls for further operationalisation, we conclude:

Proposition 1: Further types of ethical leader behaviour need to be identified and operationalised.

The Stakeholder Approach

Since Freeman's seminal book, *Strategic Management—A Stakeholder Approach* (1984), stakeholder theory has attracted a great deal of attention. As early as 1995, Donaldson and Preston (1995, p. 65) wrote: "The idea that corporations have stakeholders has now become commonplace in the management literature, both academic and professional", and the theory's prominence has risen ever since (Laplume, Sonpar, & Litz, 2008). Freeman defined a stakeholder as "any group or individual who can affect or is affected by the achievement of the organisation's objectives" (1984, p. 46). Hence, stakeholders can be owners, employees, customers, suppliers, governments, environmentalists, competitors, and the media. He suggested that managers should take account of and have duties towards all stakeholders and not just towards shareholders. His definition, however, was criticised for being "unable to distinguish those individuals and groups that are stakeholders from those that are not" (Phillips & Reichart, 2000, p.

185) and caused a continuing debate about whose interests should be considered and on what grounds (for an overview see e.g., Laplume et al. (2008)).

Despite this debate, business leaders clearly care about stakeholders (Brenner & Molander, 1977; Posner & Schmidt, 1984, 1996), and normative stakeholder theory argues that it is appropriate for leaders to do so (Donaldson & Preston, 1995). Further empirical results are that ethical role models in organisations take a multi-stakeholder perspective (Weaver, Treviño, & Agle, 2005) and that ethical leaders care about stakeholders such as society, suppliers, and customers (Treviño et al., 2003). However, the concept of ethical leadership has so far neglected the stakeholder approach. Although Brown et al.'s (2005) definition of ethical leadership—broad as it is—can easily embrace stakeholder theory, operationalisations of ethical leadership have almost solely focused on leader behaviour towards employees and not explicitly mentioned any other stakeholders (Brown et al., 2005; Tanner et al., 2010). Only the Ethical Leadership at Work Questionnaire (ELW) (Kalshoven et al., 2011), while also focusing primarily on the leader-follower interaction, mentions environment and sustainability issues, which allude to other stakeholders such as society. Given the theoretical and empirical evidence discussed above that it is normatively appropriate for leaders to respect the interests of various stakeholders, we suggest that the stakeholder approach should not be missing from the ethical leader concept. For instance, one could imagine leaders who, though behaving fairly, kindly and honestly towards their employees, severely harm customers, suppliers, and society. You would hardly call them ethical leaders, yet, according to the

existing measures focusing on behaviour towards employees, they are likely to be identified as such. We argue, therefore, that stakeholder theory is an excellent candidate for advancing the concept of ethical leadership, as it prompts the investigation of the behaviour of ethical leaders not only towards employees, but also towards customers, shareholders, suppliers, society, and others. We conclude:

Proposition 2: The stakeholder approach is missing from the ethical leadership concept. As a result, we need to find out which stakeholders apart from employees are important for ethical leaders and what behaviour they show towards each of those stakeholder groups.

Antecedents and Consequences

In the last couple of years, scholars have begun to investigate the antecedents and consequences of ethical leadership. However, empirical research on antecedents is still very rare and has primarily focused on the individual characteristics of the leader: ethical leadership has been related to the leader's conscientiousness, agreeableness (Kalshoven, Den Hartog, & De Hoogh, 2010; Walumbwa & Schaubroeck, 2009), and emotional stability (Kalshoven et al., 2010). More recently, the leader's moral identity has been examined as an antecedent of ethical leadership. Mayer et al. (2012) have shown a positive relationship between ethical leadership and the leaders' moral identity symbolisation and, although less consistently, a positive relationship between ethical leadership and the leaders' moral identity internalisation. Apart from research focusing on the person of the leader as an antecedent, Mayer et al. (2009)

found that top management ethical leadership was positively related to supervisory ethical leadership.

While empirically tested antecedents of ethical leadership are still rare, a few scholars have theoretically explored and proposed several additional antecedents of ethical leadership. In terms of the individual characteristics of the leader, Brown and Treviño (2006) mentioned agreeableness, conscientiousness, neuroticism, Machiavellianism, moral reasoning, and locus of control to be likely antecedents of ethical leadership. Likewise, the leaders' moral emotions (Brown & Mitchell, 2010) and cognitive moral reasoning (Eisenbeiss, 2012) have been suggested. Furthermore, Brown and Treviño (2006) proposed situational or contextual influences, such as role modelling and ethical context. Eisenbeiss and Giessner (2012) identified societal, industry, and intra-organisational characteristics as possible contextual antecedents of ethical leadership. While societal characteristics included the "implementation and spirit of human rights" and "cultural values of responsibility, justice, humanity, and transparency", proposed industry characteristics were "ethical content of organization", "ethical interests of stakeholders", and "complexity of environment", the latter being negatively related to ethical leadership. Intra-organisational characteristics included "ethical informal systems of organizational infrastructure", "congruency between highly ethical formal and informal elements of organizational infrastructure", and, finally, "peer group's ethical leadership behavior" (Eisenbeiss & Giessner, 2012, p. 11).

More often, empirical research has dealt with the consequences of ethical

leadership and documented its desirable effects on subordinates: ethical leadership behaviour has been related to commitment (Rowold, Borgmann, & Heinitz, 2009), affective commitment (Den Hartog & De Hoogh, 2009; Neubert, Carlson, Kacmar, Roberts, & Chonko, 2009), normative commitment (Den Hartog & De Hoogh, 2009), organisational and team commitment (Kalshoven et al., 2011), and affective organisational commitment (Tanner et al., 2010). Ethical leadership has also been associated with the followers' trust (Den Hartog & De Hoogh, 2009; Kalshoven et al., 2011), satisfaction with the leader (Brown et al., 2005; Kalshoven et al., 2011; Toor & Ofori, 2009), satisfaction with the job (Avey, Wernsing, & Palanski, 2012; Kalshoven et al., 2011; Neubert et al., 2009; Rowold et al., 2009; Tanner et al., 2010), psychological well-being (Avey et al., 2012), perception of the ethical climate of the firm (Shin, 2012), and "subordinates' optimism about the future of the organisation and their own place within it" (De Hoogh & Den Hartog, 2008, p. 297). Furthermore, ethical leadership has been shown to add to an organisation's attractiveness as an employer for potential job candidates (Strobel, Tumasjan, & Welp, 2010). Other positive effects on followers include organisational citizenship behaviour (Avey, Palanski, & Walumbwa, 2010; Den Hartog & Belschak, 2012; Kalshoven et al., 2011; Mayer et al., 2009), extra effort (Brown et al., 2005; Toor & Ofori, 2009), work engagement (Tanner et al., 2010), group in-role performance (Walumbwa, Morrison, & Christensen, 2012) and effectiveness (Kalshoven et al., 2011). Not only the followers but also the leaders or management teams have been perceived to be more effective (Brown et al., 2005; De Hoogh & Den Hartog, 2008; Kalshoven et al., 2011; Toor & Ofori, 2009). In addition, ethical leadership has

been shown to have a reducing influence on unwanted phenomena such as followers' health complaints, emotional exhaustion, absenteeism (Tanner et al., 2010), and cynicism (Kalshoven et al., 2011). Lastly, a few studies have dealt with followers' ethical behaviour: ethically led subordinates showed less deviant and more voice behaviour (Avey et al., 2010; Mayer et al., 2012; Mayer et al., 2009; Walumbwa & Schaubroeck, 2009) and were more willing to report problems (Brown et al., 2005). Furthermore, ethical leadership was negatively related to unit unethical behaviour and relationship conflict (Mayer et al., 2012). On the other hand, Detert et al. (2007) found that ethical leadership did not have an influence on counterproductivity. Overall, the results indicate that ethical leadership leads to several desirable outcomes.

Although promising effort has been made to better understand the antecedents and consequences of ethical leadership, further research is important. Several areas need special attention. Most importantly, further antecedents need to be identified. Given the importance of understanding what enables and enhances ethical leadership, a growing number of scholars have called for more empirical research on the antecedents of ethical leadership (Brown & Mitchell, 2010; De Hoogh & Den Hartog, 2008; Eisenbeiss & Giessner, 2012; Tanner et al., 2010). Secondly, remarkably little research has addressed the ethical conduct of employees, even though this is one of the main goals of ethical leadership as it has been conceptualised. A problem may be that followers' ethical behaviour has not been identified yet: What kind of followers' ethical behaviour does the ethical leader inspire and manage, and what kind of followers' unethical behaviour is

prevented by ethical leadership? Moreover, the studies mentioned above about ethical leadership and followers' deviance or unethical behaviour (Avey et al., 2010; Mayer et al., 2012; Mayer et al., 2009) have used deviance or unethical behaviour measures that focus mainly on the followers' ethical behaviour towards the company, supervisors, and work colleagues (Akaah, 1996; Bennett & Robinson, 2000; Fox & Spector, 1999). But what about employees' ethical conduct towards other stakeholders, such as customers or suppliers? Thirdly, we still know very little about the effects of ethical leadership on stakeholders other than employees. For instance, does ethical leadership relate to customer satisfaction? And finally, a very interesting, though yet to be explored, research area is the relationship, if any, between ethical leadership and business performance (Peus, Kerschreiter, Frey, & Traut-Mattausch, 2010). We conclude:

Proposition 3: Further antecedents of ethical leadership need to be identified.

Proposition 4: The consequences of ethical leadership related to external stakeholders (e.g. customers, suppliers) need to be explored, such as employees' ethical conduct towards external stakeholders and effects on external stakeholders.

Method

Participants and Recruiting Process

We addressed 18 executive leaders by telephone or email and asked for their participation in the study. The leaders addressed had an outstanding ethical

reputation and belonged to the top executives of their companies. To ensure they had ethical reputations, we sought winners of awards for business ethics, those mentioned in literature and media as outstanding ethical business leaders and recommendations from experts in the field of business ethics. Seventeen leaders (3 women and 14 men, $M_{age}=53.25$, $Mdn_{age} = 53.5$, age range: 40–66) agreed to participate, of whom 16 were based in Switzerland and one in Germany. Sixteen interviewees were the most senior leader of their company (CEO, director general, chairman of the board) and one was the CFO of his company. The companies exhibited wide ranges of size, age and business sector: The interviewees had between 10 and 36,000 ($M=2786.75$, $Mdn=132.5$) subordinates, whilst a total of between 10 and 44,000 ($M=5409.31$, $Mdn=145$) employees worked for each company. The companies' ages ranged between 4 and 170 years ($M=68.25$, $Mdn=77.5$). Nine companies produced goods, two each were in the trade, financial services, and spatial planning and construction industries and one in the hotel and restaurant industry.

Setting and Procedure

Following an interview protocol, we conducted semi-structured face-to-face interviews, in which the participants were invited to share their experiences and opinions. Apart from personal, biographical and company-related information, we followed our research questions in asking about relevant stakeholders, about related behaviour towards each of the stakeholder groups, and about antecedents and consequences of ethical leadership. In order to gain further insights, we also inquired what kind of ethical behaviour they expect from their

employees, how they manage the ethical behaviour of their employees, what conflicts they encounter and how they deal with them. The interviews lasted between 1 h and 1 h 30 min and were conducted mostly in the offices of the participants. One of the authors conducted all of the interviews and asked for feedback about the interview protocol and style after every interview, which was generally positive and resulted in only minor changes of the protocol after the first two interviews. The interviews were audio taped and transcribed verbatim with the participants' permissions and after we had thoroughly informed them about the study and assured that we would never reveal personal or company identities without prior permission.

Analysis of Interview Content

We chose qualitative content analysis (Mayring, 1983) as a method for analysing the transcripts, because it offers a systematic, rule-guided approach that is intersubjectively comprehensible. Content analysis is considered a classical method for analysing texts, its main features being categorisation and reduction of the material (Flick, 1994). Utilising Mayring's (1983) techniques of structuring and summarising, we first defined main categories (e.g., behaviour towards employees) according to our research questions. After we had searched the transcripts for relevant quotes and had assigned them to the main categories, every distinctive statement was paraphrased and coded (examples of codes: 'provides a fair compensation system' or 'treats all employees equally'). Statements with different wording but the same meaning received the same code. In a second step, we grouped the codes into deductively generated subcategories (e.g., the codes 'provides a fair compensation system' and 'treats all employees equally' were

grouped into the subcategory ‘fairness towards employees’). In cases where very few codes were assigned to a main category, we skipped this second step. To support the process of analysis, we used Atlas.ti, a computer program for the qualitative analysis of large bodies of textual data. Concerning the sample size, we followed the well-known approach of Glaser and Strauss (1967) by terminating the sampling process once “theoretical saturation” was reached. As our last two interviews only added two new codes each to the total amount of 163 codes (less than 2.5 %), we decided that the theoretical saturation justified ending the sampling process. In order to test the reliability of the categorisation, we randomly picked 40 codes (approx. 1/4) out of the total and asked a researcher competent in qualitative methods but not familiar with this study to sort the codes into the sub- and main categories with the help of the descriptions of the category system. For example, the researcher was given the code ‘treats all employees equally’. She then had to pick a corresponding main category (‘behaviour towards employees’) and a subcategory (‘fairness towards employees’) from a list of all main categories and subcategories. The interrater agreement was .92 (Cohen’s kappa).

Results

The analysis resulted in a total of 163 codes, 40 subcategories and 20 main categories. The results are summarised in the Tables 1-7, which each contain one or more main categories and each represent a distinctive topic: general information about the interview partners and the companies (Table 1), stakeholders who were identified as important (Table 2), the ethical leader’s

behaviour towards these stakeholders (Table 3), ethical guidance of employees (Table 4), conflicts and difficult decisions (Table 5), antecedents (Table 6) and consequences of ethical leadership (Table 7). The first column of the tables contains the subcategories, and the second column shows the correlating codes, several of which are again displayed in groups in order to ease understanding. The numbers in brackets after the codes refer to the frequency of occurrence. The number before the slash indicates how many times the code appeared in the overall data. The number after the slash represents the total number of interviews that contained this code at least once. For example ‘(5/3)’ means that the code appeared five times in three different interviews. We excluded codes that were mentioned by only one interview partner (with the exception of objective information about the interview partner and the company), in order to enhance reader-friendliness and to reduce the subjectivity of the results. To illustrate our findings, we included several original quotes from the interviews. The quotes were translated from German into English and shortened where appropriate. In the following they are displayed in italic.

General Information About the Interview Partners and the Companies

Most of the interview partners had an economic, technical or scientific educational background, and only one had had legal training. All of the interview partners had undergone advanced training (e.g., leadership training). In addition, many had worked abroad and developed greenfield projects, such as founding a company. Interestingly, several interview partners described incidents in their past career where they had endured or witnessed unethical behaviour in business.

The interview partners felt highly responsible for their company and were mostly tightly connected and committed to their company. The majority were not only the leader but also partly the owner of the company, had worked there for many years, and had either founded or co-founded it themselves or entered it due to family ties.

Every day, when I came home from school as a boy, my brothers, sisters and I walked through the company. We helped with the packing of the products, met Father's business partners, and at Christmas we children played the flute or read poems at the company's Christmas reception. So we identified ourselves with the company at a very early stage.

Almost all companies were legally organised as Swiss joint-stock companies (*Aktiengesellschaft*). However, they were all but one not listed on the stock exchange. About two-thirds of the companies were family enterprises owned either exclusively by the family, by the family and partners or by the family and employees. The other companies were either owned by private partners and/or small stockholders or by a foundation.

Table 1

General information about the interview partner and the company (main category)

Subcategories	Codes
Education	Economic training (11/11) Technical or scientific training (7/7) Legal training (1/1) Advanced training (16/16)
Professional experience	International experience (8/8) Development of greenfield projects (10/5) Had observed unethical behaviour at work (7/3)
Connections to the company	Owns at least part of the company (11/11) Has been working for the company for a long time (12/9) Entered the company due to family ties (7/7) Founder or co-founder of the company (4/4)
Legal form and ownership	Family enterprise (11/10) Joint stock company (<i>Aktiengesellschaft</i>) not listed on the stock exchange <ul style="list-style-type: none"> Owned exclusively by the family (5/5) Owned by family and partners (2/2) Owned by family and employees (1/1) Owned by private partners and/or small shareholders (4/4) Owned by a foundation (principal shareholder) (2/2)

(continued)

Joint stock company (*Aktiengesellschaft*)
listed on the stock exchange

- Family is principal shareholder (1/1)

Private limited liability company
(*GmbH*) and limited partnership
(*Kommanditgesellschaft*)

- Owned by two partners (1/1)
-

Important Stakeholders and the Ethical Leader's Behaviour Towards Them

As we expected, the interview partners stated that several stakeholders were relevant (see Table 2). Employees and customers were clearly seen as the most important stakeholders, but the interview partners also felt responsibility towards society in general, the suppliers, the owner or co-owners of the company, the natural environment, the government and administration, the local community, the funders such as banks and insurance companies and towards federations, associations and networks that they were part of.

Table 2

Important stakeholders (main category)

Subcategories	Codes
Stakeholders	Employees (22/16) Customers (17/16) Society (14/13) Suppliers (11/11) Owners, shareholders (10/9) Natural environment (10/8) Government, administration (8/6) Local community (8/6) Neighbours (4/3) Banks, insurance companies (3/3) Federations, associations, networks (2/2)
Importance of stakeholders	Employees and customers are the most important stakeholders (8/8)

Table 3 gives an overview of the numerous behaviours that the interview partners said were typical for their ethical leadership style towards the individual stakeholder groups. First of all, the interview partners described their behaviour towards their employees. For example, they fostered good relationships; they organised social events and activities to provide opportunities for informal get-togethers and strived to behave respectfully, politely and in a friendly way towards the employees. Employees were supposed to always be able to find an ‘open door’; they were encouraged by their leaders to approach them in case of job-related and also private problems, and the leaders earnestly endeavoured to pay attention to the employees’ concerns and wishes. The leaders demonstrated trust in their employees and showed appreciation.

Every year, at the Christmas reception, my father and myself personally shake the hand of every single employee and give him a little gift. You can imagine with a total number of over 1000 employees this takes some time. But it is very, very important, because we want every employee to know that he has made a significant contribution during the past year and that we really appreciate it.

Fairness was another important aspect of the interview partners' ethical leadership of their employees. It was considered crucial to provide a fair compensation system, which included, for instance, a narrow wage range (two companies actually made sure that the highest wage would not exceed four times the lowest wage in the company), standard salaries that enabled a decent lifestyle for those in blue-collar jobs too, and a fair and transparent bonus system. Another important aspect of fairness was that the interview partners strived to provide security of employment: Employees should not have to fear losing their jobs due to an economic crisis (however, occasionally employees had to be fired for other reasons, such as long-term inadequate work performance). This security of employment was possible because the interview partners followed a sustainable corporate strategy, which focused on slow but steady growth and on long-term success, rather than a short-term profit maximisation and 'hire and fire' mentality. Furthermore, some of our interview partners had adopted very creative strategies to save their employees in times of crisis, as the following example shows:

In 2001, we lost 30 % of our turnover practically overnight, because of 9/11. We managed only because of our long-term strategy, and then our head of human resources had this really creative idea: he asked around in other local companies, whether they happened to have any major order for which they temporarily needed some more employees. In the end, we were able to 'rent out' 15 % of our staff to other companies for several months until we had overcome the crisis. Our employees really appreciated it, because they didn't lose their jobs and didn't have their salaries cut.

The use of power and employees' possibilities of participation were also frequently mentioned issues. Our interview partners considered it important to share power and responsibility with their employees. However, the extent of employees' power and responsibility varied: While some trained their supervisors in a democratic leadership style, strived to take the employee's wishes into account and encouraged employees to give critical feedback, others had implemented solid structures to ensure the employee's influence. For example, the employees were encouraged to organise themselves in a workers' council or they were entitled to elect board members. These participatory attempts were seen as an advantage not only for the employees but also for the company, because the interview partners felt that as a result their employees were very motivated and committed and identified strongly with the company.

Another feature of ethical leadership was that our interview partners strived to advance their employees. They not only provided job-related training, but also training concerning ethical, environmental and social sustainability issues

and opportunities to engage in volunteer work. Some even went a step further and aspired to foster employees' personality development.

Apart from professional and personal development, our interview partners also focused on the employees' health and work-life balance. For instance, workplaces were checked for health risks. Further offers included training of a healthy life-style, medical check-ups, vaccinations, healthy food programmes, and fitness and wellness activities. Additionally, our interview partners were keen to enhance the employees' work-life balance through the opportunity to work part-time and both maternity and paternity leaves.

Concerning behaviour towards customers, the interview partners mentioned, on one hand, issues related to products and prices and, on the other hand, the relationship with the customers. For example, they thought it crucial to ensure the quality, the ethical correctness, and the fair pricing of the product, and to honestly inform the customer about the product.

In financial business it is common to create extra-complex products, in order to conceal how much profit the seller actually makes. The customer doesn't understand it. That's why we explain in detail to our customers what they're getting in their portfolio and how much they pay for it.

Apart from information about the product itself and its pricing, several interview partners also provided information about the ethical correctness of the manufacturing process of their products:

Every product of ours is marked with a respect-code. 17 million pieces have got this respect-code, which allows customers to go to the internet and check the background information of the piece: where it has been manufactured, working condition of the labourers, water-recycling, and whatever. We really want to be transparent.

Behaviour towards employees and customers were mentioned most frequently, however, a number of other stakeholder groups also received a good deal of attention, such as society, the local community, neighbours, suppliers, and owners and co-owners. The natural environment was also seen as a stakeholder that deserves care for its own sake. Concerning society in general, the interview partners engaged in charitable work, and offered professional training for school graduates and jobs to socially disadvantaged people.

I can't just live on earth like I was on my own. I feel a responsibility towards my fellow men, especially towards those who have to fight with lots of difficulties like a handicap or who are facing difficult conditions. I give them a job, which is better than giving them just money, because a job gives them self-confidence and a sense of belonging.

Apart from society in general, they also focused on the local community, where they sponsored regional charitable projects and sports clubs, and they sought to remain on friendly terms with their direct neighbours. Furthermore, our interview

partners fostered a good relationship with their suppliers. They paid on time and wanted their suppliers to be strong and innovative business partners. Often, our interview partners had been loyal to their suppliers for many years. They would not change to another supplier just to save some money. Instead, they esteemed the grown, trustful partnership. Trust was also relevant for the owners and co-owners of the company; our interview partners considered it crucial to inform them honestly and transparently, and they felt responsible for the financial success of the company. However, they focused on the long-term success rather than on a short-term profit maximisation. Last but not least, our interview partners expressed substantial care for the natural environment, which is why they had invested in eco-friendly infrastructure production processes, and some offered training in eco-friendly life-styles to their employees, too.

Table 3

The ethical leader's behaviour towards the stakeholders

Subcategories	Codes
Behaviour towards employees (main category)	
Relationship with employee	Social events and activities (10/7) Is approachable by employees in case of job-related or private problems (10/7) Pays serious attention to employees' concerns and wishes (7/6) Trusts his/her employees (7/5) Shows respect (5/5) Shows interest in employees and is attentive (4/4)

(continued)

	<p>Expresses appreciation (5/3)</p> <p>Treats employees as human beings and not only as a human resource (3/3)</p> <p>Wins employees' confidence (3/3)</p> <p>Approaches unhappy employees to talk about their issues (3/2)</p> <p>Communicates politely and friendly (2/2)</p> <p>Enables informal communication (2/2)</p>
Fairness	<p>Provides a fair compensation system (11/9)</p> <p>Communicates fairly and honestly (10/8)</p> <p>Provides security of employment (8/6)</p> <p>Treats all employees equally (4/4)</p> <p>Makes sure gender ratio is balanced (2/2)</p> <p>Sets fair work goals (2/2)</p> <p>Revokes wrong decisions openly (2/2)</p> <p>Is reliable (2/2)</p>
Participation of employees	<p>Shares power and responsibility with employees (13/6)</p> <p>Encourages employees to provide critical feedback (3/3)</p>
Developing employees	<p>Provides staff training (12/8)</p> <p>Fosters the employees' personality development (7/5)</p> <p>Provides staff training in ethics, environmental protection and social responsibility issues (4/4)</p> <p>Lets employees engage in volunteer work (2/2)</p>
Employees' health and work-life balance	<p>Protects and enhances employees' health (exceeding the legal requirements) (12/9)</p> <p>Allows employees to work part-time (8/7)</p> <p>Supports employees in their role as parents (2/2)</p> <p>Offers not only maternity but also paternity leave (2/2)</p>

(continued)

Work assignment	Assigns satisfying and meaningful work tasks to employees (2/2)
<hr/>	
Behaviour towards customers (main category)	
Products and prices	Ensures high quality of products (15/12)
	Informs customer properly about the product and its manufacturing conditions (7/4)
	Does not offer unethical or needless products (9/3)
	Offers fair prices (4/3)
	Is transparent about the formation of prices (2/2)
Relationship with customers	Fosters a good relationship with the client (12/9)
	Is reliable (6/5)
	Answers for his/her mistakes (3/3)
<hr/>	
Behaviour towards society (main category)	
	Engages in charitable work (11/8)
	Offers professional training for graduates (7/6)
	Offers jobs to socially disadvantaged people (7/4)
<hr/>	
Behaviour towards local community (main category)	
	Supports regional charitable projects and sports clubs (5/3)
<hr/>	
Behaviour towards neighbours (main category)	
	Fosters a good relationship with neighbours (2/2)
<hr/>	
Behaviour towards suppliers (main category)	
	Is loyal (5/5)
	Fosters a good relationship with the supplier (5/4)
	Pays on time (3/3)

(continued)

Behaviour towards owners /co-owners (main category)	
	<p>Informs honestly and transparently (3/3)</p> <p>Ensures the long-term success of the company (2/2)</p>
Behaviour towards natural environment (main category)	
	<p>Introduces eco-friendly infrastructure and production processes (10/8)</p> <p>Trains employees in eco-friendly behaviour and life-style (3/3)</p>

Ethical Guidance of the Employees

An important aspect of ethical leadership was the ethical guidance of the employees. Table 4 shows how our interview partners endeavoured to ensure their employees' ethical behaviour, using several strategies. First of all, an ethical leader has to be an ethical role model. This was stated to be absolutely essential by every single one of our interview partners. Role model behaviour included not only the demonstration of excellent work performance but also of a good work-life balance, safety behaviour, environment-friendly behaviour such as using public transport, and a polite and friendly interaction style.

I think being a role model is one of the most important aspects of our leadership. You can't demand something of your employees while not doing it yourself. When we introduced the daily gymnastics for everybody, it worked only because we stood up in front of everybody and did the gymnastics ourselves. Our employees thought: "If our bosses dedicate their time to it, it can't be too bad after all".

A second important feature of ethical guidance was to clearly communicate ethical standards and expected behaviour to the employees. The interview partners demanded integrity, compliance to the laws, and punctuality of their employees. Additionally, they expected their employees to behave constructively and cooperatively in the event of conflicts and problems. These ethical standards were communicated through handouts and code of conducts, but often our interview partners considered this to be insufficient and additionally offered workshops and training to learn and discuss the company's ethical behaviour standards, sometimes with the help of external consultants. The identification of ethical standards and the ethical development of the company were seen as an ongoing process rather than a one-time task. Therefore, many of our interview partners wanted their employees to participate in the ethical development of the company and to jointly discuss and set and revise the ethical standards.

Another strategy was to focus on the integrity of job candidates in recruiting procedures. Our interview partners tried to hire only those people whose values were congruent with the company's values. Additionally, the interview partners considered it important to set the right goals; they were careful not to encourage employees to act unethically in order to maximise profits, and they disciplined unethical behaviour on the part of employees, such as lying, stealing, fraud, and attacking and abusing other people.

Table 4

Ethical guidance of the employees

Subcategories	Codes
Leader's strategy to evoke follower's ethical behaviour (main category)	
	Is an ethical role model (24/16)
	Communicates ethical standards (11/9)
	Lets employees participate in the ethical development of the company (9/6)
	Offers workshops and trainings about ethics (8/7)
	Tries to hire only ethical people (7/6)
	Has introduced a code of conduct (4/4)
	Does not pressure or encourage employees to act unethically in order to maximise profits (3/3)
	Disciplines unethical behaviour (3/3)
	Calls in ethical experts for training of employees' ethical competences (3/3)
Leader's role model behaviour (main category)	
Work performance	Demonstrates excellent work performance (7/6)
Interaction with people	Is polite and friendly (4/4)
	Keeps close contact to employees (3/3)
	Is modest (2/2)
Work-life balance	Demonstrates a good work-life balance and safety behaviour (3/3)
Environment-friendly behaviour	Demonstrates environment-friendly behaviour (5/2)

(continued)

Behaviour that the leader explicitly demands of his employees (main category)	
Integrity and compliance to laws	Must be honest (4/3) Must not engage in unfair commercial practice (3/3) Must not discriminate against others (3/3) Must not break any laws (3/2)
Conflict behaviour	Must behave constructively and cooperatively in the event of conflicts and problems (3/3)
Punctuality and absenteeism	Must be punctual, must not be absent from work without good reason. (3/3)
Safety	Must respect all safety instructions (3/2)
Leader's tools to communicate explicitly demanded behaviour (main category)	
	Training and workshops about ethics (7/6) Handouts (4/3)
Employee's unethical behaviour that the leader disciplines (main category)	
Attacking and abusing other people	Discrimination (5/5) Ill-treatment of other stakeholders (5/5) Physical violence (5/4) Mobbing (3/3) Sexual harassment (3/3)
Violation of integrity and illegal activities	Theft (6/6) Lying (5/4) Fraud, embezzlement (3/3) Corruption (3/2) Personal enrichment (3/2)
Lack of safety	Violation of safety instructions (2/2)

Conflicts

The most frequently mentioned reasons for conflicts were interpersonal relationship problems, for instance quarrels and personal antipathies between employees, and the dismissal of employees who had shown insufficient work performance. The latter was described as being particularly difficult, and, usually, several other measures had been unsuccessfully tried before the dismissal. Tension between ethical and economic goals was also a reason for conflicts. At times, our interview partners had felt that they were not able to achieve all their ethical goals because it would have been too costly.

Our interview partners mentioned several guiding principles and strategies for handling conflicts and difficult decisions, such as following the ‘golden rule’ (one should treat others as one would like others to treat oneself) or consulting a code of conduct. However, some of our interview partners thought that there is no overall valid principle, but that each situation has to be evaluated individually. Communication was considered to be absolutely crucial for solving conflicts. Conflicts should not be evaded but addressed promptly by discussing the issue with the people involved and gathering further information. Other strategies mentioned were to consult internal or external experts and to arrange for training for the persons involved to develop competencies they currently lacked.

Table 5

Conflicts

Subcategories	Codes
Reasons for conflicts (main category)	
	Dismissal of an employee due to inadequate work performance (5/5)
	Interpersonal relationship problems (5/5)
	Tension between economic and ethical goals (4/4)
	Change processes in the company (3/3)
	Lying employee (2/2)
Handling of conflicts (main category)	
Guiding principles	Golden rule (2/2)
	Follow the code of conduct (2/2)
	Every situation needs to be evaluated individually (2/2)
Communication	Discusses the conflict with the persons involved (11/9)
	Gathers further information (5/5)
	Does not evade the issue, but addresses it promptly (5/5)
	Lets employees participate in taking decisions (2/2)
Training and expert advice	Consults (internal or external) experts (4/4)
	Arranges for training of the persons involved (4/4)

Antecedents of Ethical Leadership

Table 6 summarises the antecedents of ethical leadership that our interview partners mentioned. Ethical leaders do not appear out of the blue. Education and ethical role models seem to play an important role in developing

ethical leaders. Some of our interview partners had already been taught by their parents to respect ethical values, and most of our interview partners had been influenced by ethical role models, such as other ethical leaders and entrepreneurs, and political and humanitarian figures. They mentioned, amongst others, Ernest Bader, Gottlieb Duttweiler, Winston Churchill, Mahatma Gandhi and Nelson Mandela. Some of our interview partners also felt inspired by their Christian values or religious figures, such as Jesus or Buddha.

However sincere our interview partners were about their ethical values, one absolutely essential prerequisite for ethical leadership was mentioned frequently: The company must make financial profit.

If you're not financially successful, you can forget about all the ethical niceties. It's not enough to have a big heart. You need to offer the right product with the right price to the right group of customers, otherwise you've got no money to pay the salaries, and you can't remain on the market.

But, of course, this profit must not be made in an unethical way. Our interview partners didn't believe that it would be appropriate to engage in unethical business until profit was made and then as a second step become ethical leaders. Neither did they think that unprofitability is an excuse for not behaving ethically. They simply stated that without any profit at all a company—ethical or not—cannot exist. But at the same time, our interview partners emphasised that they accepted a merely moderate profit in favour of investments in the ethical performance of the

company rather than trying to maximise their own income or the other owner's short-term profit.

Sometimes, other entrepreneurs and managers tell me: "You can do all this ethical stuff because you make a lot of profit!" But then I tell them: "I've cut my own salary. My salary is only four times higher than the lowest salary in the company. I use the spare money to finance sustainable energy and other ethical projects. Everybody can do this!"

Accordingly, our interview partners preferred to opt for a long-term rather than short-term success business strategy. Instead of maximising their income, they reinvested in existing staff, quality of products, eco-friendly infrastructures and charity projects. Also, rather than pursuing fast growth in times of economic prosperity—which usually entails downsizing measures in times of economic crisis—they cared for slow but stable growth, allowing them to ensure security of employment for their employees. Additionally, an ethical leader needs to make an extra effort. According to our interview partners, ethical leadership is more time-consuming than other leadership styles because, apart from economic and technical aspects, ethical leaders also have to focus on social and ecological issues.

The ownership of the company was also said to influence ethical leadership. Leaders who are at the same time the owners of their company were believed to feel more responsible for the company and its stakeholders than hired

managers. According to our interview partners, these leaders, consequently, rather opt for an ethical, sustainable and long-term business strategy than managers whose only responsibility is to maximise shareholder value and who tend to be fired after one bad quarterly result.

That's the difference between an entrepreneur and a manager: If I, as an entrepreneur, make a mistake, I lose my fortune. If a manager makes a mistake, he gets a golden handshake.

The owning family is the public face of the company. If their company produces an ethical scandal, all the fingers will point at them. They will be the bad guys and the media will ruin their family name forever.

Furthermore, our interview partners stated that, if the CEO is not the owner of the company, the owners or representatives of the owners, such as a board, must also respect ethical values; otherwise it is difficult for a CEO to be an ethical leader, because the owners or the board have a substantial influence on the business strategy.

And last but not least, the other stakeholders' influence on ethical leadership was mentioned. For example, the government could give incentives for ethical entrepreneurship, such as giving tax reductions, or customers can select ethical and sustainable products. Some of our interview partners mentioned that their company prospered because a fair amount of customers accept a higher product price if the products are manufactured in an ethical way. Therefore,

customers can add to the motivation of an ethical leader by means of their purchase behaviour, which fosters the success of companies with ethically manufactured products.

Table 6

Antecedents of ethical leadership (main category)

Subcategories	Codes
Role models and upbringing	Ethical leaders and entrepreneurs as role models (14/9) Has been taught by parents to respect ethical values (6/6) Political and humanitarian role models (6/2)
Religion	Christian values (3/2) Religious role models (3/3)
Financial profit	The company must make profit (9/7) Accepts an only moderate profit in favour of ethical investments and long-term success (13/7)
Extra effort	Makes the extra effort required (7/6)
Owners and leaders	Leaders who are also owners of the company feel more responsible for the company and its stakeholders (4/4) Owners/stockholders must respect ethical values (5/3) His/her leader/supervisor has to be ethical as well (6/3)
Government, employees and customers	Government must give incentives for ethical entrepreneurship (5/2) Customers' demand for ethical products (3/2) Employees must share ethical values (2/2)

Consequences of Ethical Leadership

Our interview partners felt that ethical leadership leads to a number of desirable consequences (see Table 7), which greatly added to their motivation to be an ethical leader. Ethical leadership was thought to enhance both well-being and business success. While most of the interview partners were motivated to be an ethical leader because they wanted to foster the wellbeing of society, nature, and other people, some also pointed out that they were additionally enhancing their own well-being. They felt satisfied and happy because, as a result of ethical leadership, they enjoyed their work and good relationships at work and experienced sense and fulfilment.

On the other hand, ethical leadership was said to enhance business success. Our interview partners and their companies benefited from their excellent reputation. They had won awards for business ethics and frequently received praise and favourable media coverage. Other consequences mentioned were that employees were satisfied, competent, motivated, committed, and performed well. Ethically led companies seem to be very attractive for job candidates and employees; as a result they benefit from huge pools of candidates and minimal staff turnover. Several interview partners also mentioned that their efforts in health management had considerably reduced the employee's absenteeism. Furthermore, customers as well as employees were satisfied and loyal, and business partnerships tended to be successful and long-lasting, according to our interview partners.

However great the investment was to reach all these positive consequences, many of our interview partners stated that in the end ethical

leadership also leads to financial success, but rather in the long term than the short term.

Yes, ethical leadership costs time and money. But this investment is worthwhile. We have to spend less on marketing and our customers are even willing to pay a little bit more, because they know that they can trust us.

We respect our employees, and we also care for them in difficult times. This is why they are willing to do their best. We had difficult times where they did everything to save our neck. We really trust each other.

Table 7

Consequences of ethical leadership

Subcategories	Codes
Enhances well-being (main category)	
Well-being of others	Enhances well-being of society, individuals and nature (21/11)
Well-being of the ethical leader	Is happy, because he/she enjoys work (6/3) Is happy, because he/she experiences positive relationships at work (4/3) Is happy, because he/she experiences sense and fulfilment in his/her work (3/3)

(continued)

Enhances business success (main category)	
Positive image and feedback	Awards (6/5) Good image (3/2) Praise and positive feedback (3/2) Extensive favourable media coverage (2/2)
Financial success	Long-term financial success (15/9)
Employees	Competent, motivated, committed and high performing employees (9/6) Satisfied employees (7/4) Minimal staff turnover (6/5) Effort in health management reduces absenteeism (6/4) good working atmosphere (4/2) Company is attractive for job candidates (3/2) Critical employees help to detect problems and failures (2/2)
Customers and business partners	Satisfied and loyal customers (8/7) Successful business partnerships (5/4)

Discussion

After a decade of ethical, financial and ecological disasters, such as Enron, the financial crisis, and the Gulf of Mexico oil spill, scandalous management behaviour is still far too common, and ethical leadership has lost none of its importance. This study aimed to contribute to at least four so far understudied areas of executive ethical leadership. First of all, our data clearly indicates that executive ethical leaders care about various stakeholders. Not only employees but also customers, suppliers, shareholders, the society, the natural environment, and others are important to ethical leaders. This corresponds with normative stakeholder theory (Donaldson & Preston, 1995) and other corporate social

responsibility theories (Garriga & Melé, 2004). To date, however, ethical leadership theory and measurement instruments have primarily focused on ethical leadership behaviour towards employees (Brown et al., 2005; Kalshoven et al., 2011; Tanner et al., 2010) and neglected behaviour towards other stakeholders, even though early research on ethical leadership hinted at the ethical leaders' multiple stakeholder perspective (Treviño et al., 2003). We therefore argue that ethical leadership theory should broaden its perspective on stakeholders, and, consequently, we propose to specify Brown et al.'s (2005) most commonly used definition of ethical leadership by adding the stakeholder perspective (our additions in italic): "(...) the demonstration of normatively appropriate conduct *towards all stakeholders* through personal action and interpersonal relationships, and the promotion of such conduct to followers through two-way communication and decision-making." (Brown et al., 2005, p. 120). We argue that this specified definition describes the perception of ethical leadership more appropriately than the previous definition, because it draws attention to the important fact that ethical leadership involves normatively appropriate conduct towards several stakeholders and not just towards employees. This is especially relevant for executive ethical leadership, as executive ethical leaders' behaviour usually affects a broader range of stakeholders than the behaviour of supervising managers. However, supervising managers also often deal not only with employees but other stakeholders as well, such as customers or suppliers.

Secondly, this study answers the call for specifying further ethical leader behaviour (Kalshoven et al., 2011; Tanner et al., 2010). As far as we know,

this study is the first to identify a range of ethical leaders' behaviours towards other stakeholders than employees. Our results include specific behaviour towards customers, suppliers, owners of the company, society, the local community and the natural environment, and therefore add to a better understanding of the phenomenon of ethical leadership. As existing measures of ethical leadership (Brown et al., 2005; Kalshoven et al., 2011; Tanner et al., 2010) include little or no specific behaviour towards other stakeholders than employees, we would like to indicate several important behaviours that could complement existing measures. For example, an ethical leader behaves ethically towards customers by ensuring the quality of products, fair pricing and by informing the customer honestly about the product and its manufacturing conditions. Furthermore, an ethical leader will foster eco-friendly infrastructure and production processes and strives to serve society, which, however, can be done in different ways, e.g. by engaging in charitable work, offering professional training for graduates, or offering jobs to socially disadvantaged people. Last, but not least, an executive ethical leader honestly and transparently informs owners and their representatives, such as a board, about the company.

Several scholars have argued for the normative appropriateness of these behaviours. For instance, Crane and Matten (2010) name the customers' rights to safe and efficacious products, fair prices and honest and fair communications. Similarly, Holley (1998, p. 631) states that there is "a general obligation to disclose what a buyer would need to make a reasonable judgment about whether to purchase the product. DesJardins (2011, p. 228) concludes "that business has wider environmental responsibilities than those under a narrow free market

approach”, and also the duty of companies to serve society or the community has been widely discussed (Bowie & Werhane, 2005; Crane & Matten, 2010). Finally, Crane and Matten (2010) also name the right of the shareowners to a certain amount of information about the company.

Apart from identifying the leaders’ behaviours towards other stakeholders, we were able to replicate various findings of ethical leaders’ behaviours towards employees, and, more importantly, we found several additional behaviours. Replicated findings of ethical leaders’ behaviours towards employees were, for instance, that the ethical leader shows interest in his employees, pays attention to their concerns, is approachable about both job-related and private problems, and shares power and responsibility with his employees (Kalshoven et al., 2011; Tanner et al., 2010; Treviño et al., 2003). In addition to previous studies, we found that executive ethical leaders provide a fair compensation system and security of employment. Furthermore, they care about and for their employees’ health and work-life balance and offer opportunities for informal get-togethers.

Some of these behaviours, for example providing security of employment, may seem to be very difficult even for an ethical leader and, therefore, their normative appropriateness might be questionable. However, Tanner and colleagues (2010, p. 232) stated about their Ethical Leadership Behavior Scale that “the behavioural items involved in the instrument tend to be too easy” and called for more difficult behaviours. According to Tanner and Colleagues (2010, p. 226) ethical leadership involves “moral courage”, acting in accordance with moral values “despite the risk of unpleasant consequences”. Accordingly,

difficult, in the sense of costly, behaviours are important for assessing the “leader’s willingness to overcome barriers and resistance” (Tanner et al., 2010, p. 227). Thus, our findings answer the need to identify more difficult behaviours of ethical leaders.

While our study answers the call for further specifying ethical leadership behaviour (Kalshoven & Boon, 2012; Tanner et al., 2010) and, therefore, helps to draw a clearer picture, of what “normatively appropriate behavior” contains, it also reveals overlaps of ethical leadership with other leadership concepts. For example, ethical leaders’ behaviours such as forming a good relationship with employees and caring for employees’ work-life balance and personal development are core aspects of servant leadership (Ehrhart, 2004). This is not surprising, given that earlier research has shown that ethical leadership overlaps with various concepts, such as idealised influence, interactional fairness (Brown et al., 2005), transformational and transactional leadership (Kalshoven et al., 2011), authentic leadership (Walumbwa et al., 2008), responsible leadership (Voegtlin, 2011) and servant leadership (van Dierendonck & Nuijten, 2011). However, ethical leadership goes beyond these competing concepts, as it adds the dimension of the moral manager (promotion of employees’ ethical conduct) (Treviño & Brown, 2007), and several studies have confirmed the distinctiveness of ethical leadership compared to competing concepts (Brown et al., 2005; Mayer et al., 2012; Walumbwa et al., 2008). We argue that both aspects of ethical leadership, the moral person (which overlaps with other concepts), and the moral manager (which is distinctive for the ethical leadership concept) have to be studied in order to fully understand the phenomenon of ethical leadership.

Thirdly, this study contributes to so far understudied areas of executive ethical leadership by identifying several antecedents that have not yet been empirically associated with ethical leadership as far as we know. While previous studies have focused on the individual characteristics of a leader as an antecedent of ethical leadership (Kalshoven et al., 2010; Walumbwa & Schaubroeck, 2009), our results add several different perspectives. For example, ethical role models seem to be important for developing ethical leadership behaviour. We found different kinds of ethical role models, differing from each other by whether they were personally known or not and whether the role models were ethical role models in general or ethical business leaders. On one hand, our interview partners mentioned role models that had interacted very closely with the interview partners, such as parents or leaders that our interview partners had worked for in their past. Similar to this, Weaver et al. (2005, p. 323) found that “frequent personal interaction seems crucial for someone to be viewed as an ethical role model by another”. On the other hand, our interviewees also mentioned role models whom they never had met personally. But these were well-known figures such as Gandhi, Mother Teresa, Jesus, or Buddha. As there is a lot of information available about these figures through biographies or religious texts, people might feel as if they knew these figures and, therefore, choose them as role models. Furthermore, our interview partners mentioned other ethical business leaders (both personally known and not personally known public figures). This makes sense, given that it is easier to learn from someone who has faced similar tasks and problems. However, our interview partners had also chosen role models not

specifically involved in business but known for their ethicality in general, such as religious figures. Brown et al. (2005, p. 125) found that an ethical leader “conducts his/her personal life in an ethical manner”. Therefore, it makes sense that our interview partners also chose role models for leading an ethical life in general. In conclusion, it seems that the ethical role models of executive ethical leaders are either ethical leaders themselves or extraordinary ethical persons in general. Furthermore, the ethical role model seems to be well known to the ethical leader through personal interaction or detailed biographical information.

The company’s business strategy and ownership seem to be important antecedents of ethical leadership. Rather than aiming for a maximisation of short-term profits, the companies accepted moderate profits in favour of ethical reinvestments into the company and its long-term success and stability. These principles, as our interview partner said, had to be embraced also by the owners of the companies. It is not astonishing, therefore, that the majority of the companies in which the interviewees worked were privately owned (by families, partners, employees and foundations) and not listed on the stock exchange, where short-term results tend to be more important. Owners, or representatives of owners such as the board, usually have the power to influence the business strategy as they monitor the management, hire and dismiss the CEO, and provide access to resources (Boyd, Haynes, & Zona, 2011; de Villiers, Naiker, & van Staden, 2011; Halebian & Rajagopalan, 2006). Therefore, it seems likely that if a board pursues goals related only to short-term profit, an ethical leader as CEO, who focuses rather on long-term success than short-term profit maximisation, presumably doesn’t remain CEO for long. On the other hand, if a board embraces

sustainability, they are more likely to choose and support an ethical leader as CEO and, therefore, foster a sustainable company strategy. For example, de Villiers et al. (2011) have shown that the environmental performance of firms is higher in companies who have more legal experts in the board. The authors argue that legal experts are more sensitive to the stakeholder impacts and public effects of corporate behaviour.

Fourthly, our study contributes to less explored areas of consequences of ethical leadership. While previous studies have mostly focused on consequences concerning employees, our study reveals several consequences concerning other stakeholders. First of all, ethical leadership seems to have several notable effects on other stakeholders than employees. Ethical leadership was said to enhance the wellbeing and satisfaction of several stakeholders, such as customers, society or the natural environment. Additionally, the practice of ethical leadership was reported to enhance the well-being of the ethical leader himself. It is unclear, though, whether this is a result of ethical leadership itself or rather due to the fit between the leaders' personal values and their leadership style. Furthermore, ethical leadership seems to evoke positive feedback from media and society, such as awards and favourable media coverage.

Additionally, our study adds to the topic of employees' ethical behaviour towards external stakeholders (e.g. customers and suppliers) as a consequence of ethical leadership. Similar to other studies, our interview partners mentioned a range of employees' ethical behaviours towards their colleagues, supervisors and company. These were behaviours that our interview partners explicitly expected

from their employees, such as not discriminating against others. However, our results may also shed some light on employees' ethical behaviour towards other stakeholders which has not been addressed by any of the previous studies we are aware of. Even though our interview partners rather talked of their own behaviour towards other stakeholders, such as ensuring the high quality of their products, fair pricing, and reliability for customers and suppliers, it is not unlikely that their employees carried out at least part of these tasks. Accordingly, these behaviours may prove to be a resource for identifying employees' ethical behaviours towards external stakeholders, such as customers, suppliers and society.

Last, but not least, many of our interview partners felt that the various positive effects of ethical leadership on employees and other stakeholders, as well as the sustainable, long-term business strategy, lead to long-term financial success of the company. However, because of its many costly investments, our interview partners said that ethical leadership tends not to result in short-term maximisation of profit.

Managerial Implications

We would like to point out several important managerial implications. First of all, as we have said before, ethical leadership involves the consideration of more stakeholders than just employees. Therefore, it is crucial for an executive ethical leader to identify all stakeholders and engage in ethical behaviour towards them. Amongst the most important stakeholders, apart from employees, are customers, owners and the board, society, and the natural environment. When making decisions, an executive ethical leader needs to consider all these stakeholders.

Secondly, our study contributes to the question of how to develop ethical leadership in companies, by drawing a clearer picture of what normatively appropriate behaviour towards different kinds of stakeholders includes. This is important, as managers might not have a clear understanding of which specific behaviours towards these stakeholders are normatively appropriate. Our findings, therefore, could be included in training for the development of ethical leaders. Our findings also show that the difference between ethical and less ethical leadership is not dichotomous but gradual. None of our interview partners engaged in all of the behaviours reported, and they emphasised different aspects of ethical leadership. It seems that as an ethical leader one could always do more, but one could also do significantly less. The pertinent question, therefore, for many executive leaders is probably not ‘am I an ethical leader?’ but rather ‘how much am I an ethical leader?’. Accordingly, ethical leadership requires an ongoing process of identifying and weighing various stakeholders’ and one’s own interests. Training, therefore, needs to equip managers with competencies of ethical decision making and stakeholder dialogue.

However, training is not the only way of enhancing ethical leadership in a company. We, thirdly, found antecedents of executive ethical leadership, which can foster our understanding of how to enhance ethical leadership in a company. Our findings imply that the whole business strategy has to be guided by an ethical business approach which allows leaders to focus not exclusively on short-term maximisation of financial profit but to seriously care for the wellbeing of other stakeholders. Therefore, a business strategy focusing more on sustainability,

stability and long-term profit will foster ethical leadership in a company. Of course, this is only possible if the principal owners of the company or their representatives, the board, support this kind of strategy. Otherwise, they might not choose an ethical leader as CEO in the first place and not pressure a less ethical CEO to refrain from unethical business practises.

Fourthly, the ethical guidance of employees is another important aspect of ethical leadership. How do ethical leaders ensure that their employees engage in ethical behaviour? Similar to Brown et al. (2005) we found that it is extremely important for ethical leaders to be an ethical role model—to walk the talk—and to communicate ethical standards to the employees. However, unlike much previous research on ethical leadership, our study draws attention to the manner or methods of communicating ethical standards. Codes of conduct have become very common, but most of our interview partners felt that codes of conduct are not of much use unless they are combined with accompanying measures such as training of the employees' ethical competence or giving them the opportunity to actively participate in the company's ethical development. Furthermore, it is important to establish business goals and organisational structures that are compatible with the code of conduct. For example, it is not of much use to preach ethical conduct towards customers, on one hand, and, on the other hand, to pressure employees to sell overpriced products in order to maximise profits. However, despite the leaders' possibility to influence their employees' behaviour, employees may be prone to unethical or ethical behaviour due to their personality. Hence, as several of our interview partners pointed out, it may be advisable that the recruiting process also focuses on the applicant's integrity and moral development.

Strengths and Weaknesses

Executive ethical leadership is complex. An important strength of this study, therefore, is its qualitative, explorative approach, which is appropriate for complex and dynamic phenomena such as leadership (Conger, 1998). The qualitative approach enabled us to find not only what we had suspected beforehand, but to reveal several new aspects of ethical leadership which we had not been aware of before. Additionally, an important contribution of this study is that its sample consisted of executive ethical leaders, whilst Treviño et al. (2003) had focused on executive leaders and ethics officers who spoke about how they perceived ethical leaders. In contrast to this external perspective, our study aims to add the internal perspective, which is important, as not all aspects of ethical leadership may be visible from an external perspective.

It is also important to recognise the limitations of this study. First of all, like all qualitative studies, this study cannot be generalised, as the sample was not representative. However, the objective of this study was to explore so far neglected areas of ethical leadership, and it may serve as resource of inspiration for future quantitative research. Secondly, we did not observe the behaviour itself but asked the interview partners to describe their behaviour. Accordingly, our results could be affected by social desirability, in the sense that our interview partners may have been tempted to talk about their strengths only and omit their weaknesses or less ethical behaviours. Keeping in mind, though, that our aim was to study ethical leadership and not to rate our interview partners' degree of ethical leadership, we do not consider this to be a major problem. As we have mentioned

before, the difference between ethical and unethical leadership seems to be gradual rather than dichotomous, and the sum of our results presumably pictures the high end of ethical leadership, whilst in reality the majority of executive leaders probably engage in some but not in all these aspects of ethical leadership. Thirdly, our findings of consequences of ethical leadership concerning effects on other stakeholders may also be biased, given that these findings were reported by our interview partners and not by the stakeholders themselves. Therefore, the findings might be rather our interview partners' intentions or motivations for ethical leadership behaviour than actual consequences. Finally, some of our results may be specific to the Swiss or German culture. However, several of the companies operated internationally, and about half of our interview partners mentioned work experience abroad.

Suggestions for Future Research and Conclusion

The results of this study open new avenues for future research and may serve as source of hypotheses for further quantitative research on ethical leadership. Even though substantial effort has been made in the past to measure ethical leadership (Brown et al., 2005; Kalshoven et al., 2011; Tanner et al., 2010), our study implies several additional ethical leaders' behaviours that could complement and enhance the existing measures. Examples for such behaviours include providing security of employment and offering fair compensation and a health management system, as well as various behaviours towards other stakeholders than employees, such as ensuring good quality of products for customers. Further quantitative research is necessary to integrate these behaviours into the existing measures. Additionally, quantitative research is needed to test the

antecedents found, such as ownership and business model, and consequences, for example satisfaction of external stakeholders, employees' ethical behaviour towards external stakeholders, and long-term financial success of the company. Another type of antecedent that would be worth studying is governmental incentives or regulations. Furthermore, we would like to encourage the development of recruiting and assessment tools and training programmes for ethical leadership. Finally, as our sample consisted only of privately or closely held companies, it would be interesting to explore ethical leadership in publically held companies.

In conclusion, this study investigated several important aspects of executive ethical leadership that have been neglected so far, such as important stakeholders of the ethical leader, his or her behaviours towards them, antecedents of ethical leadership, and consequences concerning other stakeholders than employees. Our results suggest that the existing conceptualisations and instruments for measuring ethical leadership (Brown et al., 2005; Kalshoven et al., 2011; Tanner et al., 2010) should be specified and complemented by a multiple stakeholder perspective instead of primarily focusing on the ethical leader's behaviour towards employees. Furthermore, this study contributes to the growing research field of ethical leadership by identifying specific behaviours of executive ethical leaders towards various stakeholders and by enhancing our understanding of what enables ethical leadership and what variety of consequences are to be expected from it.

References

- Akaah, I. P. (1996). The influence of organizational rank and role on marketing professionals' ethical judgments. *Journal of Business Ethics*, 15(6), 605-614.
- Avey, J. B., Palanski, M. E., & Walumbwa, F. O. (2010). When leadership goes unnoticed: The moderating role of follower self-esteem on the relationship between ethical leadership and follower behavior. *Journal of Business Ethics*, 98(4), 573-582. doi: 10.1007/s10551-010-0610-2
- Avey, J. B., Wernsing, T. S., & Palanski, M. E. (2012). Exploring the process of ethical leadership: The mediating role of employee voice and psychological ownership. *Journal of Business Ethics*, 107(1), 21-34. doi: 10.1007/s10551-012-1298-2
- Avolio, B. J., & Gardner, W. L. (2005). Authentic leadership development: Getting to the root of positive forms of leadership. *The Leadership Quarterly*, 16(3), 315-338. doi: 10.1016/j.leaqua.2005.03.001
- Bass, B. M., & Bass, R. (2008). *The Bass handbook of leadership: Theory, research, and managerial applications*. New York: Free Press.
- Bass, B. M., & Steidlmeier, P. (1999). Ethics, character, and authentic transformational leadership behavior. *The Leadership Quarterly*, 10(2), 181-217. doi: 10.1016/s1048-9843(99)00016-8
- Bennett, R. J., & Robinson, S. L. (2000). Development of a measure of workplace deviance. *Journal of Applied Psychology*, 85(3), 349-360.
- Bowie, N. E., & Werhane, P. H. (2005). *Management ethics*. Oxford: Blackwell Publishing.

-
- Boyd, B. K., Haynes, K. T., & Zona, F. (2011). Dimensions of CEO-board relations. *Journal of Management Studies*, 48(8), 1892-1923. doi: 10.1111/j.1467-6486.2010.00943.x
- Brenner, S. N., & Molander, E. A. (1977). Is the ethics of business changing? *Harvard Business Review*, 55(1), 57-71.
- Brown, M. E., & Mitchell, M. S. (2010). Ethical and unethical leadership: Exploring new avenues for future research. *Business Ethics Quarterly*, 20(4), 583-616.
- Brown, M. E., & Treviño, L. K. (2006). Ethical leadership: A review and future directions. *The Leadership Quarterly*, 17(6), 595-616. doi: 10.1016/j.leaqua.2006.10.004
- Brown, M. E., Treviño, L. K., & Harrison, D. A. (2005). Ethical leadership: A social learning perspective for construct development and testing. *Organizational Behavior and Human Decision Processes*, 97(2), 117-134. doi: 10.1016/j.obhdp.2005.03.002
- Burns, J. M. (1978). *Leadership*. Oxford: Harper & Row.
- Ciulla, J. B. (2003). *The ethics of leadership*. Belmont, CA: Wadsworth Publishing.
- Conger, J. A. (1998). Qualitative research as the cornerstone methodology for understanding leadership. *The Leadership Quarterly*, 9(1), 107-121. doi: 10.1016/s1048-9843(98)90044-3
- Crane, A., & Matten, D. (2010). *Business ethics* (3rd ed.). New York: Oxford University Press.

-
- De Hoogh, A. H. B., & Den Hartog, D. N. (2008). Ethical and despotic leadership, relationships with leader's social responsibility, top management team effectiveness and subordinates' optimism: A multi-method study. *The Leadership Quarterly*, 19(3), 297-311. doi: 10.1016/j.leaqua.2008.03.002
- de Villiers, C., Naiker, V., & van Staden, C. J. (2011). The effect of board characteristics on firm environmental performance. *Journal of Management*, 37(6), 1636-1663. doi: 10.1177/0149206311411506
- Den Hartog, D. N., & Belschak, F. D. (2012). Work engagement and machiavellianism in the ethical leadership process. *Journal of Business Ethics*, 107(1), 35-47. doi: 10.1007/s10551-012-1296-4
- Den Hartog, D. N., & De Hoogh, A. H. B. (2009). Empowering behaviour and leader fairness and integrity: Studying perceptions of ethical leader behaviour from a levels-of-analysis perspective. *European Journal of Work and Organizational Psychology*, 18(2), 199-230. doi: 10.1080/13594320802362688
- DesJardins, J. (2011). *An introduction to business ethics* (4th edition ed.). New York: McGraw-Hill.
- Detert, J. R., Treviño, L. K., Burris, E. R., & Andiappan, M. (2007). Managerial modes of influence and counterproductivity in organizations: a longitudinal business-unit-level investigation. *The Journal of Applied Psychology*, 92(4), 993-1005. doi: 10.1037/0021-9010.92.4.993

-
- Donaldson, T., & Preston, L. E. (1995). The stakeholder theory of the corporation: Concepts, evidence, and implications. *Academy of Management Review*, 20(1), 65-91. doi: 10.5465/amr.1995.9503271992
- Ehrhart, M. G. (2004). Leadership and procedural justice climate as antecedents of unit-level organizational citizenship behavior. *Personnel Psychology*, 57(1), 61-94. doi: 10.1111/j.1744-6570.2004.tb02484.x
- Eisenbeiss, S. A. (2012). Re-thinking ethical leadership: An interdisciplinary integrative approach. *The Leadership Quarterly*, 23(5), 791-808. doi: 10.1016/j.leaqua.2012.03.001
- Eisenbeiss, S. A., & Giessner, S. (2012). The emergence and maintenance of ethical leadership in organizations: A question of embeddedness? *Journal of Personnel Psychology*, 11(1), 7.
- Flick, U. (1994). Qualitative Methoden. In L. v. Rosenstiel, C. M. Hockel & W. Molt (Eds.), *Handbuch der Angewandten Psychologie. Grundlagen, Methoden, Praxis* (pp. 1-12). Landsberg/Lech: Ecomed.
- Fox, S., & Spector, P. E. (1999). A model of work frustration–aggression. *Journal of Organizational Behavior*, 20(6), 915-931. doi: 10.1002/(sici)1099-1379(199911)20:6<915::aid-job918>3.0.co;2-6
- Freeman, R. E. (1984). *Strategic management: A stakeholder approach*. Boston: Pitman.
- Freeman, R. E. (1994). The politics of stakeholder theory: some future directions. *Business Ethics Quarterly*, 4(4), 409-421.

-
- Freeman, R. E., Harrison, J. S., Wicks, A. C., Parmar, B. L., & Colle, S. d. (2010). *Stakeholder theory. The state of the art*. Cambridge: Cambridge University Press.
- Fry, L. W. (2003). Toward a theory of spiritual leadership. *The Leadership Quarterly*, 14(6), 693-727. doi: 10.1016/j.leaqua.2003.09.001
- Garriga, E., & Melé, D. (2004). Corporate social responsibility theories: Mapping the territory. *Journal of Business Ethics*, 53(1), 51-71. doi: 10.1023/b:busi.0000039399.90587.34
- Giessner, S., & Quaquebeke, N. (2011). Using a relational models perspective to understand normatively appropriate conduct in ethical leadership. *Journal of Business Ethics*, 95, 43-55. doi: 10.1007/s10551-011-0790-4
- Glaser, B. G., & Strauss, A. L. (1967). *The discovery of grounded theory. Strategies for qualitative research*. New York: Aldine.
- Greenleaf, R. K. (2002). *Servant leadership: A journey into the nature of legitimate power and greatness* (25th anniversary ed.). New York: Paulist Press.
- Haleblian, J., & Rajagopalan, N. (2006). A cognitive model of CEO dismissal: Understanding the influence of board perceptions, attributions and efficacy Beliefs. *Journal of Management Studies*, 43(5), 1009-1026. doi: 10.1111/j.1467-6486.2006.00627.x
- Holley, D. M. (1998). Information disclosure in sales. *Journal of Business Ethics*, 17(6), 631-641. doi: 10.1023/a:1005903417049
- Howell, J. M. (1988). Two faces of charisma: Socialized and personalized leadership in organizations. In J. A. Conger & N. Rabindra (Eds.),

- Charismatic leadership: The elusive factor in organizational effectiveness* (pp. 213-236). San Francisco: Jossey-Bass.
- Howell, J. M., & Avolio, B. J. (1992). The ethics of charismatic leadership: submission or liberation? *Academy of Management Executive*, 6(2), 43-54. doi: 10.5465/ame.1992.4274395
- Kalshoven, K., & Boon, C. T. (2012). Ethical leadership, employee well-being, and helping: The moderating role of human resource management. *Journal of Personnel Psychology*, 11(1), 60-68. doi: 10.1027/1866-5888/a000056
- Kalshoven, K., Den Hartog, D. N., & De Hoogh, A. H. B. (2010). Ethical leader behavior and big five factors of personality. *Journal of Business Ethics*, 100(2), 349-366. doi: 10.1007/s10551-010-0685-9
- Kalshoven, K., Den Hartog, D. N., & De Hoogh, A. H. B. (2011). Ethical leadership at work questionnaire (ELW): Development and validation of a multidimensional measure. *The Leadership Quarterly*, 22(1), 51-69. doi: 10.1016/j.leaqua.2010.12.007
- Kanungo, R. N., & Mendonca, M. (1996). *Ethical dimensions of leadership*. Thousand Oaks: Sage Publications.
- Laplume, A. O., Sonpar, K., & Litz, R. A. (2008). Stakeholder theory: Reviewing a theory that moves us. *Journal of Management*, 34(6), 1152-1189. doi: 10.1177/0149206308324322

-
- Lee, S. T., & Cheng, I. H. (2010). Characteristics and dimensions of ethical leadership in public relations. *Journal of Public Relations Research*, 23(1), 46-74. doi: 10.1080/1062726x.2010.504790
- Mayer, D. M., Aquino, K., Greenbaum, R., & Kuenzi, M. (2012). Who displays ethical leadership, and why does it matter? An examination of antecedents and consequences of ethical leadership. *Academy of Management Journal*, 55(1), 151-171. doi: 10.5465/amj.2008.0276
- Mayer, D. M., Kuenzi, M., Greenbaum, R., Bardes, M., & Salvador, R. (2009). How low does ethical leadership flow? Test of a trickle-down model. *Organizational Behavior and Human Decision Processes*, 108(1), 1-13. doi: 10.1016/j.obhdp.2008.04.002
- Mayring, P. (1983). *Qualitative Inhaltsanalyse: Grundlagen und Techniken* [Qualitative Content Analysis: Basics and techniques]. Weinheim: Beltz.
- Neubert, M. J., Carlson, D. S., Kacmar, K. M., Roberts, J. A., & Chonko, L. B. (2009). The virtuous influence of ethical leadership behavior: Evidence from the field. *Journal of Business Ethics*, 90(2), 157-170. doi: 10.1007/s10551-009-0037-9
- Peus, C., Kerschreiter, R., Frey, D., & Traut-Mattausch, E. (2010). What is the value? *Zeitschrift für Psychologie / Journal of Psychology*, 218(4), 198-212. doi: 10.1027/0044-3409/a000030
- Phillips, R. A., & Reichart, J. (2000). The environment as a stakeholder? A fairness-based approach. *Journal of Business Ethics*, 23(2), 185-197. doi: 10.1023/a:1006041929249

-
- Posner, B. Z., & Schmidt, W. H. (1984). Values and the american manager: An update. [Article]. *California Management Review*, 26(3), 202-216.
- Posner, B. Z., & Schmidt, W. H. (1996). The values of business and federal government executives: More different than alike. [Article]. *Public Personnel Management*, 25(3), 277.
- Rowold, J., Borgmann, L., & Heinitz, K. (2009). Ethische Führung: Gütekriterien einer deutschen Adaptation der Ethical Leadership Scale (ELS-D) von Brown et al. (2005). [Ethical leadership: psychometric properties of a German adaptation of Brown et al. (2005) Ethical Leadership Scale (ELS-D)]. *Zeitschrift für Arbeits- und Organisationspsychologie*, 53(2), 57-69. doi: 10.1026/0932-4089.53.2.57
- Shin, Y. (2012). CEO ethical leadership, ethical climate, climate strength, and collective organizational citizenship behavior. *Journal of Business Ethics*, 108(3), 299-312. doi: 10.1007/s10551-011-1091-7
- Strobel, M., Tumasjan, A., & Welpe, I. (2010). Do business ethics pay off? *Zeitschrift für Psychologie / Journal of Psychology*, 218(4), 213-224. doi: 10.1027/0044-3409/a000031
- Tanner, C., Brügger, A., van Schie, S., & Leberherz, C. (2010). Actions speak louder than words. *Journal of Psychology*, 218(4), 225-233. doi: 10.1027/0044-3409/a000032
- Toor, S.-u.-R., & Ofori, G. (2009). Ethical leadership: Examining the relationships with full range leadership model, employee outcomes, and

- organizational culture. *Journal of Business Ethics*, 90(4), 533-547. doi: 10.1007/s10551-009-0059-3
- Treviño, L. K., & Brown, M. E. (2007). Ethical leadership. In D. L. Nelson & C. L. Cooper (Eds.), *Positive organizational behavior: Accentuating the positive at work* (pp. 101-116). London, Thousand Oaks, New Delhi: Sage.
- Treviño, L. K., Brown, M. E., & Hartman, L. P. (2003). A qualitative investigation of perceived executive ethical leadership: Perceptions from inside and outside the executive suite. *Human Relations*, 56(1), 5-37. doi: 10.1177/0018726703056001448
- van Dierendonck, D., & Nuijten, I. (2011). The servant leadership survey: Development and validation of a multidimensional measure. *Journal of Business and Psychology*, 26(3), 249-267. doi: 10.1007/s10869-010-9194-1
- Voegtlin, C. (2011). Development of a scale measuring discursive responsible leadership. *Journal of Business Ethics*, 98(S1), 57-73. doi: 10.1007/s10551-011-1020-9
- Walumbwa, F. O., Avolio, B. J., Gardner, W. L., Wernsing, T. S., & Peterson, S. J. (2008). Authentic leadership: Development and validation of a theory-based measure *Journal of Management*, 34(1), 89-126. doi: 10.1177/0149206307308913
- Walumbwa, F. O., Morrison, E. W., & Christensen, A. L. (2012). Ethical leadership and group in-role performance: The mediating roles of group

conscientiousness and group voice. *The Leadership Quarterly*, 23(5), 953-964. doi: 10.1016/j.leaqua.2012.06.004

Walumbwa, F. O., & Schaubroeck, J. (2009). Leader personality traits and employee voice behavior: Mediating roles of ethical leadership and work group psychological safety. *Journal of Applied Psychology*, 94(5), 1275-1286. doi: 10.1037/a0015848

Weaver, G. R., Treviño, L. K., & Agle, B. (2005). "Somebody I look up to:" Ethical role models in organizations. *Organizational Dynamics*, 34(4), 313-330. doi: 10.1016/j.orgdyn.2005.08.001

Webley, S., & Werner, A. (2008). Corporate codes of ethics: necessary but not sufficient. *Business Ethics: A European Review*, 17(4), 405-415. doi: 10.1111/j.1467-8608.2008.00543.x

3.

Preventing Employees' Unethical Conduct towards Internal and External Stakeholders: What Works Better, Ethical Leadership or Fairness?

Colina Frisch ^a and Markus Huppenbauer ^a

Submitted to Organizational Behavior and Human Decision Processes, 27.1.2014

^a URPP for Ethics, University of Zurich

Zollikerstrasse 117, 8008 Zurich, Switzerland

Corresponding Author:

Colina Frisch

colina.frisch@ethik.uzh.ch

Acknowledgements

This research was supported by the URPP for Ethics and Forschungskredit of the University of Zurich. We would like to warmly thank Klaus Jonas for his helpful comments.

Abstract

Various business scandals have fuelled the call for reducing unethical behavior in organizations, and leadership has been proposed as an influencing factor. In this paper, we explore the effects of ethical leadership and the leader's fairness towards employees on employees' unethical behavior. In contrast to previous research, we focus not only on employees' ethical behavior towards internal stakeholders such as the leader and the organization, but also towards external stakeholders such as customers. In two experimental scenario studies, we found that ethical leadership decreases employees' unethical behavior towards both internal and external stakeholders, while fair leadership behavior does so only towards internal stakeholders. We thus also produced empirical evidence for the distinctiveness of ethical leadership from fairness. However, this holds only true if ethical leadership is conceptualized with an explicit concern for external stakeholders. We, therefore, suggest the explicit incorporation of concern for external stakeholders into ethical leadership theory and research.

Keywords

Ethics; Leadership; Ethical leadership; Fairness; Unethical behavior; Unethical Decision Making; Stakeholder

Introduction

It is a common and longstanding idea that leaders substantially shape the good and the bad in their circle of influence. Consider, for example, this *Los Angeles Times*' headline: "Gandhi freed India with the power of nonviolence" (Matsuda, 1999). The idea underlying this headline, most probably, is not that Gandhi freed India all by himself, but that through his leadership he inspired millions to stand up for social change while refraining from violence. The idea is that leaders can inspire the ethical behavior of their followers.

The topic of ethical and unethical behavior in organizations has attracted growing attention, as major scandals, such as Enron, the Gulf of Mexico oil spill, or the financial crisis, have fuelled the call for more ethical conduct in business organizations. A lively discussion has emerged about how employees' ethical behavior can be fostered and how employees' unethical behavior can be prevented (Treviño, Weaver, & Reynolds, 2006). In recent years, empirical research has increasingly focused on leadership as an antecedent of employees' ethical or unethical conduct, and leadership theories have increasingly embraced ethics (Bass & Steidlmeier, 1999; Brown, Treviño, & Harrison, 2005; Burns, 1978). The theory of ethical leadership (Brown et al., 2005) has attracted widespread attention and inspired a cascade of recent research.

The idea that leaders can evoke their employees' ethical behavior is a core characteristic of the theory of ethical leadership (Brown & Treviño, 2006). However, surprisingly little research has addressed the question whether ethical leadership really fosters employees' ethical behavior. Although there is a growing

body of literature about desirable outcomes of ethical leadership, such as employees' commitment and satisfaction (Brown & Mitchell, 2010), evidence that followers of ethical leaders actually behave more ethically remains scarce (Schaubroeck et al., 2012).

Furthermore, the few existing studies on leadership and employees' (un)ethical behavior tend to focus on the employees' deviant and unethical behavior towards internal stakeholders (stakeholders inside the organization), such as the leader, the company itself, or coworkers (Mayer, Aquino, Greenbaum, & Kuenzi, 2012; Mayer, Kuenzi, & Greenbaum, 2010; Mayer, Kuenzi, Greenbaum, Bardes, & Salvador, 2009; Resick, Hargis, Shao, & Dust, 2013). However, very often in huge business scandals the principal victims are not internal stakeholders, but *external* stakeholders (stakeholders outside the company), such as customers or society. For example, Bernard Madoff did not become infamous for being the boss of employees who showed deviant behavior towards the company, but because his customers were cheated and ruined.

The first contribution of this paper, therefore, is to fill this gap and investigate the effect of ethical leadership on employees' ethical behavior not only towards internal stakeholders, but also towards external stakeholders. This is important, as the two do not necessarily go hand in hand. When employees refrain from unethical behavior towards the company, such as stealing from the company, it does not automatically follow that they also refrain from cheating a customer, as their behavior may vary depending on the type of relationship with the addressee of the behavior (Ross & Robertson, 2000).

The second contribution is that we compare ethical leadership to a close theoretical competitor within the scientific literature on leadership and organizational behavior, the leader's fairness (Colquitt, 2001) towards employees. While Brown et al. (2005) claim theoretically that ethical leadership and fairness, though overlapping, are separate concepts, correlations between ethical leadership and fairness tend to be high (Loi, Lam, & Chan, 2011; Neubert, Carlson, Kacmar, Roberts, & Chonko, 2009). Furthermore, empirical results confirming the distinctiveness of ethical leadership and the leader's fairness are still very rare and have focused only on singular aspects of fairness, such as procedural, interpersonal, or informational fairness (Mayer et al., 2012; Walumbwa et al., 2011). But what happens if you compare ethical leadership to several aspects of the leader's fairness at the same time, including distributive, procedural and interactional aspects of fairness? Can ethical leadership maintain its status as a distinctive concept? In this paper, we contribute to this question by investigating whether ethical leadership, compared to fair leadership, leads to more ethical behavior in the followers, and thus whether it generates distinct outcomes. Finally, we derive managerial advice, highlighting the situations in which ethical leadership is more efficient than fair leadership in increasing employees' ethical behavior and those in which it is not.

Theoretical Background and Hypotheses

(Un)ethical Decision Making and Behavior in Organizations: What Is It?

At least two approaches have been taken to answering the question of what (un)ethical decision making in organizations is (Huppenbauer & Tanner, 2014).

On one hand, this question has been addressed in the normative sense and could thus be phrased: How *should* people in organizations behave? This approach traditionally belongs to the realms of the ethicists in philosophy and theology. On the other hand, the empirical, social-scientific field of behavioral business ethics tries to answer this question in terms of how people in organizations *actually* behave and *why* they do so (Huppenbauer & Tanner, 2014; Tenbrunsel & Smith-Crowe, 2008).

To date, scholars of behavioral business ethics have struggled to define ethical decision making and behavior and rather “nibble around the edges of such a definition” (Brief, 2012, p. 17). Jones (1991, p. 367) defined ethical decision making as “a decision that is both morally legal and acceptable to a larger community” and continued: “an unethical decision is either illegal or morally unacceptable to the larger community”. Rest (1986) provided a theoretical framework describing four steps involved in making a specific moral decision, moral sensitivity, moral judgment, moral motivation, and moral character, which lead to moral behavior. Accordingly, ethical behavior can be seen as the last step of a larger process of ethical decision making. Treviño et al. (2006, p. 952) offered the following definition: “(...) behavioral ethics refers to individual behavior that is subject to or judged according to generally accepted moral norms of behavior”. These definitions provide limited guidance in terms of helping the reader to discern whether a specific behavior is considered ethical or not. However, Treviño et al. (2006, p. 952) named a few examples for unethical behaviors, for instance cheating, lying, and stealing, and ethical behaviors that either “(...) reach some minimal moral standard (...), such as honesty or obeying

the law” or “(...) exceed moral minimums such as charitable giving and whistle-blowing”.

A research field with substantial similarity to unethical behavior in organizations and, therefore, well worth considering in this context is deviant behavior (Robinson & Bennett, 1995). Workplace deviant behavior has been defined as “(...) voluntary behavior that violates significant organizational norms and in so doing threatens the well-being of an organization, its members, or both” (Robinson & Bennett, 1995, p. 556). The difference between deviant and unethical behavior is that the latter is concerned with the violation of societal norms, while deviant behavior focuses on the violation of organizational norms (Kish-Gephart, Harrison, & Treviño, 2010). Deviant and unethical behaviors also differ in terms of the addressees of the behavior. While research on deviant behavior has focused on behavior towards the organization or people *inside* of the organization, such as stealing from the organization and personal aggression towards employees, unethical behavior refers to behavior towards stakeholders both inside and *outside* of the organization, such as lying to customers. However, deviant and unethical behaviors clearly overlap, since deviant behavior, such as stealing, lying and aggression inside the organization, violates not only organizational but also societal norms and can therefore also be considered as unethical behavior. In conclusion, it might be helpful for the study of unethical decision making and behavior to also consider literature on deviant behavior, as the two fields overlap to a great extent.

As the definitions above indicate, the field of (un)ethical decision making

and behavior is broad. In this paper, according to our experimental approach, we narrowed our focus to two specific unethical behaviors, which represent two distinct categories of unethical behavior. Firstly, we looked at employees' unethical behavior towards the leader and the company, thus at unethical behavior towards internal stakeholders. More specifically, we focused on the amount of work time employees use for private matters, instead of work-related matters. This is also considered a deviant behavior (Bennett & Robinson, 2000). Secondly, we looked at employees' unethical behavior towards external stakeholders, namely at dishonesty towards customers. This distinction between internal and external stakeholders as addressees of the ethical behavior is important, as employees' behavior may vary according to the type of relationship with the addressee (Ross & Robertson, 2000).

Causes of (Un)ethical Decision Making and Behavior in Organizations

While behavioral business ethics scholars still struggle with some definitional issues, the true strength of the field probably lies in exploring the causes, or at least the correlates of (un)ethical decision making and behavior. A variety of factors have been proposed to influence employees' (un)ethical behavior including individual factors, such as gender, age, and cognitive moral development; factors of the moral issue, such as magnitude of consequences; situational factors, such as visual cues in the environment; and organizational factors, such as ethical climate and culture or perceived fairness (organizational justice) (e.g. Bazerman & Gino, 2012; Greenberg, 1990; Kish-Gephart et al., 2010; O'Fallon & Butterfield, 2005; Tenbrunsel & Smith-Crowe, 2008; Treviño et al., 2006). Recently, leadership has been proposed as an antecedent of

employees' ethical behavior, as leaders play a crucial part in shaping the ethical culture and climate and employee's perception of fairness in organizations (Brown & Treviño, 2006; Tenbrunsel & Smith-Crowe, 2008).

In the following, we further examine the link between leadership and (un)ethical decision making and behavior. More specifically, we look at two types of leadership, ethical leadership and fair leadership, as antecedents of (un)ethical decision making and behavior.

Ethical Leadership and (Un)ethical Decision Making and Behavior

The concept of ethical leadership has inspired a remarkable amount of recent research. Brown et al. (2005, p. 120) define ethical leadership as “the demonstration of normatively appropriate conduct through personal action and interpersonal relationships, and the promotion of such conduct to followers through two-way communication and decision-making.” Brown and Treviño (2006, p. 597) distinguish between the *moral person* dimension of ethical leaders, describing them as “fair and principled decision-makers who care about people and the broader society and who behave ethically in their personal and professional lives” and the *moral manager* dimension, which “represents the leader's proactive efforts to influence followers' ethical and unethical behavior”.

Ethical leadership has been associated with a great variety of outcomes, including correlations with employees' commitment (e.g. Kalshoven, Den Hartog, & De Hoogh, 2011; Neubert et al., 2009; Rowold, Borgmann, & Heinitz, 2009), organizational citizenship behavior (e.g. Den Hartog & Belschak, 2012; Mayer et al., 2009), extra effort (Brown et al., 2005), effectiveness (Kalshoven et al., 2011),

group in-role performance (Walumbwa, Morrison, & Christensen, 2012), psychological wellbeing, and job satisfaction (Avey, Wernsing, & Palanski, 2012).

Despite these associations with numerous desirable outcomes, evidence that ethical leadership is related to employees' ethical behavior remains scarce. This is surprising, as the positive influence of ethical leadership on employees' ethical decision making and behavior is one of the key aspects of the concept of ethical leadership (Brown & Treviño, 2006). A few studies, however, have endeavored to explore the link between ethical leadership and employee ethical or unethical behavior. Employees of ethical leaders were more willing to report problems and showed more voice and less deviant or unethical behavior (Avey, Palanski, & Walumbwa, 2010; Brown et al., 2005; Mayer et al., 2012; Mayer et al., 2010; Mayer et al., 2009; Resick et al., 2013). Additionally, in a US army sample Schaubroeck et al. (2012) found that ethical leadership was indirectly related (through ethical culture) to the soldiers' intention to report observed unethical conduct of other soldiers, to transgressions against the army, such as stealing, lying or falsifying reports, and to peer exemplary behavior.

These studies have focused on behavior towards internal stakeholders, namely on deviant behavior towards the organization, the leader or coworkers. But what about employees' behavior towards external stakeholders, such as customers? There are several reasons why it is important to focus on behavior not only towards internal but also towards external stakeholders. For example, from a prescriptive perspective, normative stakeholder theory (Bowie & Werhane, 2005; Donaldson & Preston, 1995; Jones & Felps, 2013) argues that managers have

ethical duties towards all stakeholders. An empirical, descriptive perspective also provides some grounds for this focus. Qualitative studies with executive ethical leaders, ethics officers and senior executives have shown that ethical leadership is associated with concern for external stakeholders, such as customers, suppliers and society (Frisch & Huppenbauer, 2013; Treviño, Brown, & Hartman, 2003). To date, however, quantitative research on ethical leadership has almost exclusively focused on the relationship between the leader and the employees. As far as we are aware, hardly any study has yet explored whether ethical leadership also fosters employees' ethical behavior towards external stakeholders. The only exception is the study by Schaubroeck et al. (2012) mentioned above. One of the variables investigated was transgression against noncombatants, such as unnecessarily harming or killing noncombatants, which describes behavior towards external stakeholders. However, unlike transgression against the army, transgression against noncombatants was not consistently related to ethical leadership. This stands in contrast to normative claims and qualitative data (Frisch & Huppenbauer, 2013; Treviño et al., 2003). A possible explanation is that the definition and measurement scale of ethical leadership (Brown et al., 2005), which Schaubroeck et al. (2012) used, do not focus on behavior towards external stakeholders explicitly. Therefore, in this paper we focus on the definition of ethical leadership of Brown et al. (2005) as modified by Frisch & Huppenbauer (2013): "(...) the demonstration of normatively appropriate conduct *towards all stakeholders* through personal action and interpersonal relationships, and the promotion of such conduct to followers through two-way communication and

decision making”. Accordingly, we hypothesize thus:

Hypothesis 1. Ethical leadership decreases employees’ unethical behavior towards *internal* stakeholders.

Hypothesis 2. Ethical leadership decreases unethical behavior towards *external* stakeholders.

Fair Leadership and (Un)ethical Decision Making and Behavior

Research on organizational justice (fairness) has investigated how employees experience fairness in organizations and what behaviors are related to this experience for many years. Fairness in this sense is a descriptive concept mirroring what people in organizations experience as fair and should not be confused with more philosophical, normative concepts of justice and fairness (e.g. Miller, 1999; Rawls, 1971; Wettstein, 2009). Several categories or aspects of fairness in a descriptive sense have been distinguished: distributive justice (fair decision outcomes), procedural justice (fair decision processes), and interactional justice, which includes informational (timely and honest communication) and interpersonal justice (respectful treatment) (Colquitt, 2001).

Although organizational justice research typically has not concentrated on leadership behavior as a source of fairness, a growing number of studies have examined the effects of fair leader behavior (for an overview see van Knippenberg, De Cremer, & van Knippenberg, 2007). For example, fair leader behavior towards employees has been associated with the followers’ satisfaction, commitment, task performance, and organizational citizenship behavior (Liao &

Rupp, 2005; Masterson, Lewis, Goldman, & Taylor, 2000). Furthermore, a few studies have shown that, like ethical leadership, fair leader behavior has an impact on follower deviance (Aquino, Lewis, & Bradfield, 1999; Judge, Scott, & Ilies, 2006; Skarlicki & Folger, 1997; Skarlicki, Folger, & Tesluk, 1999). As all these studies focus on employees' behavior towards the company, the leader and co-workers, it seems likely that fair leader behavior influences the (un)ethical behavior of employees towards internal stakeholders. However, these studies focus only on leadership behavior in terms of interactional or interpersonal justice and do not link procedural and distributive justice to leadership behavior. In contrast to this, we agree with van Knippenberg et al. (2007) that leaders play a key role in bringing about not only interactional, but also distributive and procedural justice. For example, leaders decide on the distribution of pay rises (distributive fairness) and have the power to grant voice to employees (procedural fairness). Therefore, the conception of fair leadership in this study incorporates distributive, procedural, and interactional aspects of fair leader behavior.

Hypothesis 3. Fair leadership decreases employees' unethical behavior towards *internal* stakeholders.

Hypothesis 4. Fair leadership decreases employees' unethical behavior towards internal stakeholders more than unfair leadership.

Hypothesis 5. Ethical leadership decreases employees' unethical behavior towards internal stakeholders more than unfair leadership.

It is important to note that we do not intend to predict that unfair leadership *decreases* unethical behavior (because it might even *increase* unethical behavior), but only that ethical and fair leadership will produce a greater change of behavior towards the ethical.

Ethical Leadership and Fair Leadership: What's the Difference?

So what is the difference between an ethical leader and a fair leader? Is there any at all? The two concepts clearly overlap, as the ethical leader by definition is a fair leader. Fair leader behavior is mirrored by the moral-person aspect of ethical leadership. Secondly, as mentioned above, they have similar effects on employees. Thirdly, social exchange theory (Blau, 1964) is used with both concepts to explain employee behavior, as employees tend to reciprocate the leader's fair behavior (Brown & Treviño, 2006; Masterson et al., 2000). According to Brown and Treviño (Brown et al., 2005), the difference is that an ethical leader, apart from being a fair or moral person, is also a "moral manager" (Brown & Treviño, 2006, p. 597), meaning that the leader proactively tries to influence the followers' ethical behavior by communicating about ethical issues, rewarding ethical and disciplining unethical behavior.

Very few studies have empirically investigated the distinctiveness of ethical leadership and fairness, and they have only investigated singular aspects of fairness. Ethical leadership was positively related to the employees' performance, while controlling for procedural justice (Walumbwa et al., 2011), and negatively to unit unethical behavior and relationship conflict, while controlling for interactional justice (Mayer et al., 2012). As far as we know, ethical leadership has never been compared to all aspects of fairness (distributive, procedural and

interactional fairness) at the same time and never to discover which works better to decrease employees' unethical behavior. As the effects of both ethical leadership and fair leader behavior on employee (un)ethical behavior towards the leader can be explained through social exchange (employees are likely to reciprocate fair behavior), we expect that ethical leadership and fair leader behavior work *equally* well in decreasing employees' unethical behavior towards the leader. The ethical leader is not only fair, but also displays moral manager behavior. However, we do not expect the moral manager behavior to substantially decrease the unethical behavior further, because employees are already highly motivated to behave ethically towards the leader due to the reciprocity norm.

Hypothesis 6. Ethical leadership and fairness decrease employees' unethical behavior towards *internal* stakeholders to an equal extent.

The story, however, looks quite different when focusing on employees' (un)ethical behavior towards external stakeholders, such as customers. The presence of a third party (customer) can lead to a morally conflictual situation for the employees, as one party's benefit can imply the other party's harm. For example, cheating a customer to increase profit could benefit the leader, whose bonus might depend on the amount of profit made. In this situation, the leader's fairness towards the employee can persuade the employee to behave unethically towards the customer if the employee feels that this will benefit the leader and, thus, reciprocate the leader's fair behavior. For example, Umphress and

colleagues (2008) showed that fairly treated employees are more likely to lie to protect their leaders. We assume that this is even more likely to be the case if the leader, although fair towards the employee, suggests unethical behavior towards the customer, and thus may seduce the employee into behaving unethically. We propose to call this *seducing leadership*. We argue, however, that this happens less often with an ethical leader, as he or she acts as a moral manager and makes it clear that unethical behavior towards the customer is not appropriate. In this case, the moral manager behavior helps the employees to solve the moral conflict (do I harm the leader or do I harm the customer?), and thus prevents unethical behavior towards external stakeholders.

Hypothesis 7. Ethical leadership decreases employees' unethical behavior towards *external* stakeholders *more* than fair leadership.

Hypothesis 8. Fair leadership combined with the leader's suggestion that employees behave unethically towards *external* stakeholders (seducing leadership) decreases employees' unethical behavior towards external stakeholders *less* than fair leadership.

Another interesting question is how the employees of unfair leaders behave towards internal and external stakeholders. It seems likely that unfair leader behavior increases employees' unethical behavior towards internal stakeholders, because employees tend to reciprocate the leader's unfair behavior. Again, however, the situation is substantially different once a third party, such as a customer, enters the picture. We assume that employees still want to reciprocate

the unfair behavior of the leader; that is, they want to punish the leader for his or her unfair behavior. If the employees feel that unethical behavior towards the customer would benefit the leader, they are likely to show not unethical, but ethical behavior towards the customers, because they do not want to benefit their leader.

Hypothesis 9. Unfair leader behavior decreases employees' unethical behavior towards *external* stakeholders *more* than fair leader behavior.

Overview of Studies

We tested our hypotheses with two experimental studies. The first study focused on employees' unethical behavior towards internal stakeholders and, thus, tested Hypotheses 1, 3, 4, 5, and 6. We compared the effect of three types of leadership behavior (ethical, fair, unfair) on the amount of work time that participants reported using for private matters (e.g. Facebook, private phone calls) instead of working for their employer.

The second study focused on employees' unethical behavior towards external stakeholders (Hypotheses 2, 7, 8, and 9). Here, we compared the effect of four types of leadership behavior (ethical, fair, unfair and seducing, that is fair combined with the suggestion to behave unethically towards customers) on participants' dishonesty towards customers.

Study 1: Methods

Participants and Recruiting Process

The participants were part of a German online research panel and recruited for this study by email. The email included a link to the experiment, which was conducted online. A small incentive (Euro 1.50) was offered for the completion of the experiment. To ensure that individuals would participate only once, we applied the Optimus digital fingerprinting software, which detects each participant's unique computer "fingerprint" and blocks participants who try to enter the survey more than once. In total, 7112 members of the panel were invited by email. The experiment was accessible for five days after the email was sent, in which 842 individuals accessed the survey.

To prevent participants' dropping out in the experimental phase, we used the warm-up technique (Reips, 2002), which suggests to start with several pages of demographics and information before the experimental phase, as most drop-outs occur at the beginning of a survey. Of the 824 individuals who had loaded the survey, 137 (17.4%) dropped out. Of all the drop outs, 95.8% occurred before the experimental phase, so the warm-up technique worked satisfactorily. To ensure high-quality data, we screened out another 281 (34.1%) participants before the completion of the experiment because they did not meet our inclusion criteria as they were not working, were not aged 16 to 69, refused to sign the informed consent, or refused to answer all the questions. We also checked for speeders, that is, participants who raced through the survey in a unreasonably short time (defined as completing the survey in less time than 2/3 of the median) which

implies that they did not read the questions, but we had to exclude only one participant. In total, 400 participants were included in the study.

All participants included were employed (88%) or self-employed (12%) and lived in Germany. The participants (48% male) were aged from 16 to 69. About one third had finished primary or junior high school (*Volksschule, Mittlere Reife*), one third had attended high school and/or a vocational college or training (*Abitur, Fachoberschule, Berufsschule*), and one third had a university-level degree (*Universität, Fachhochschule*). They worked for a great variety of different companies in various branches of industry, slightly more than half (57%) in small and medium-sized enterprises with less than 250 employees and the rest in larger companies with more than 250 employees. Eighteen percent had been working for less than a year for their current employer, 57% between 1 and 10 years, and 29% for more than 10 years. The majority (58%) did not have any managerial responsibility, 39% were low- or mid-level supervisors, and 3% were top-level executives.

Experimental Design and Procedure

Study 1 used a 2x3 mixed (within-between) factorial design. As a between factor, we randomly assigned participants to one of three different types of leaders. The within factor was the time of measurement of the dependent variable (amount of work time participants reported using for private matters). Each participant was measured twice, once before the leadership intervention and once after it.

Participants completed an online survey entitled “Work after a job change”. The survey was conducted in German. As ethical issues are prone to the social desirability bias, we did not disclose the true purpose of the study until the end of the survey and repeatedly ensured the participants of absolute anonymity. The survey had been approved by the ethics committee of the authors’ university. After obtaining the informed consent and demographic data, participants were told to imagine that they had worked for several years in the sales department of a middle-sized company. Immediately after this, we measured the dependent variable for the first time. Next, participants were told to imagine that they had received an attractive job offer from a competing company and had chosen to take the new job. Participants were then assigned randomly to one of three leadership groups and went through the leadership scenarios. We then measured the dependent variable for the second time, and this was followed by the manipulation check. Finally, participants were debriefed, thanked, and electronically received a voucher over Euro 1.50.

Independent Variable: Leadership

Study 1 compared three types of leadership: fair leadership, ethical leadership, and unfair leadership. In the *fair leader* condition, participants received a scenario in which the leader was described as fair in the distributive, procedural and interpersonal senses. In the scenario of the *ethical leader* condition, the leader was described as fair in exactly the same way, but, additionally, the scenario contained a moral manager manipulation: The leader communicated that he expects his employees not to use work time for private matters, and the participant was told that the leader had fired an employee

who repeatedly used work time for private matters. Finally, in the scenario of the *unfair leader* condition, the leader was described as unfair in the distributive, procedural and interpersonal sense. English translations of all the scenarios can be found in the Appendix.

For manipulation control, we measured fairness/the moral person component of ethical leadership with two questions referring to the leader in the scenario: “How fair is your boss?” and “How ethical is your boss?” We expected ratings to be high for both fair and ethical leadership and to be low for unfair leadership. To check the moral manager component of the ethical leadership manipulation, we asked: “Does your boss instruct you not to use work time for private matters?” and “Do you think that the boss lays off or punishes employees who use a great amount of work time for private matters?” Again, both questions referred to the leader in the scenario. Here, we expected high ratings for ethical leadership, but low ratings for fair leadership. All ratings were assessed with a 9-point Likert scale.

Dependent Variable: Work Time Used for Private Matters

We measured the amount of work time participants reported using for private matters with the following question concerning the scenario: “How much work time on average do you use per day for private matters (e.g. private phone calls and emails, Internet surfing, private shopping and running other errands) instead of working for your employer?” The participants then had to indicate the number of minutes per day. The measurement procedure was identical for both

the measurement before and that after the manipulation of the independent variable.

Study 1: Results

In Experiment 1, we tested the hypotheses 1, 3, 4, 5, and 6. In total, we conducted five statistical tests with the same data (three tests for the hypotheses and two for the manipulation checks). Accordingly, to control familywise error rates, we used the Bonferroni correction and set the type 1 error rates (α) for each test on 0.01. All statistical analyses were conducted in the R statistical environment (R Core Team, 2013b)⁴.

Manipulation Checks

For manipulation checks, we measured the extent to which participants perceived the leader in their scenario as a moral person (Cronbach's $\alpha = 0.92$) and as a moral manager (Cronbach's $\alpha = .61$). Planned contrasts revealed, as expected, that participants rated both the ethical leader ($M = 7.09$, $SE = 0.12$) and the fair leader ($M = 7.33$, $SE = 0.12$) significantly more highly on the moral person scale than the unfair leader ($M = 3.28$, $SE = 0.16$), $t(382) = 23.48$, $p < .001$, $r = .77$. Furthermore, we did not find a significant difference between the moral person ratings of the ethical leader and the fair leader group, $t(382) = 1.25$,

⁴ For data analysis of study 1 and 2 we used the following R packages additionally to those mentioned in the text: foreign (R Core Team, 2013a), reshape (Wickham, 2007), gdata (Warnes et al., 2013), ggplot2 (Wickham, 2009), plyr (Wickham, 2011), pastecs (Ibanez, Grosjean, & Ettienne, 2013), car (Fox & Weisberg, 2011), psych (Revelle, 2013), Hmisc (Harrell Jr & Dupont, 2013), and multcomp (Hothorn, Bretz, & Westfall, 2008).

$p = .38$. The participants' ratings on the moral manager scale were used to assess the difference between the ethical and the fair leader scenarios. As normality of the sampling distribution could not be assumed, we conducted a robust t test based on a trimmed mean (Wilcox, 2005). As expected, the ethical leader ($M = 6.37$, $SE = 0.17$) was perceived to be more a moral manager than the fair leader ($M = 5.15$, $SE = 0.17$), $t(78) = -5.09$, $p < .001$, $r = .50$.

Hypothesis 1

Hypothesis 1 predicts that ethical leadership reduces the amount of work time that employees use for private matters. As the assumption of a normally distributed sample of differences between scores was violated, we conducted a robust dependent t test based on a trimmed mean (Wilcox, 2005). It showed that participants reported using significantly fewer minutes per day of their work time for private matters after the ethical leadership intervention ($M = 10.46$) than before ($M = 21.44$), pooled $SE = 1.62$, $t(79) = 6.75$, $p < .001$, $r = .61$.

Hypothesis 3

We hypothesized that not only ethical, but also fair leadership reduces the amount of work time that employees use for private matters. A robust dependent t test based on a trimmed mean (Wilcox, 2005) revealed that participants reported to use significantly less minutes per day of their work time for private matters after the fair leadership intervention ($M = 11.64$) intervention than before ($M = 22.4$), pooled $SE = 1.7$, $t(80) = 6.36$, $p < .001$, $r = .58$.

Hypotheses 4, 5 and 6

To test these hypotheses, we compared three groups (employees of an ethical leader, fair leader, and unfair leader) before and after the leadership intervention. Following the recommendations of Field, Miles, and Field (2012), we analyzed this mixed (within-between) factorial design with hierarchical linear modeling (HLM) with full maximum likelihood estimation, as HLM accounts for the nonindependence of repeated measurements. For these tests, we used the nlme package (Pinheiro, Bates, DebRoy, Sarkar, & the R Development Core team, 2012) of the R environment.

Our final model regressed work time used for private matters on time of measurement and type of leadership and included a significant random intercept of time for each subject, $SD = 37.15$, $\chi^2(2) = 94.51$, $p < .001$. Figure 1 displays the means of the three groups before and after the leadership intervention.

According to the nature of our hypotheses we did not analyze the main effects, but the interaction of time and type of leadership only. We used orthogonal planned contrasts to break down the general interaction. The first contrast revealed that the participants in the ethical and fair leader conditions decreased their reported amount of work time used for private matters significantly more than the participants in the unfair leadership condition, $b = -10.44$, $t(397) = -5.07$, $p < 0.001$, $r = 0.25$. This supports hypotheses 4 and 5. Furthermore, the second planned contrast did not show a significant difference in the reduction of reported amount of work time used for private matters between the fair and the ethical leadership conditions, $b = 1.87$, $t(397) = 0.53$, $p = 0.6$. This

confirms hypothesis 6, which assumed that fair and ethical leadership reduce the work time used for private matters to an equal extent.

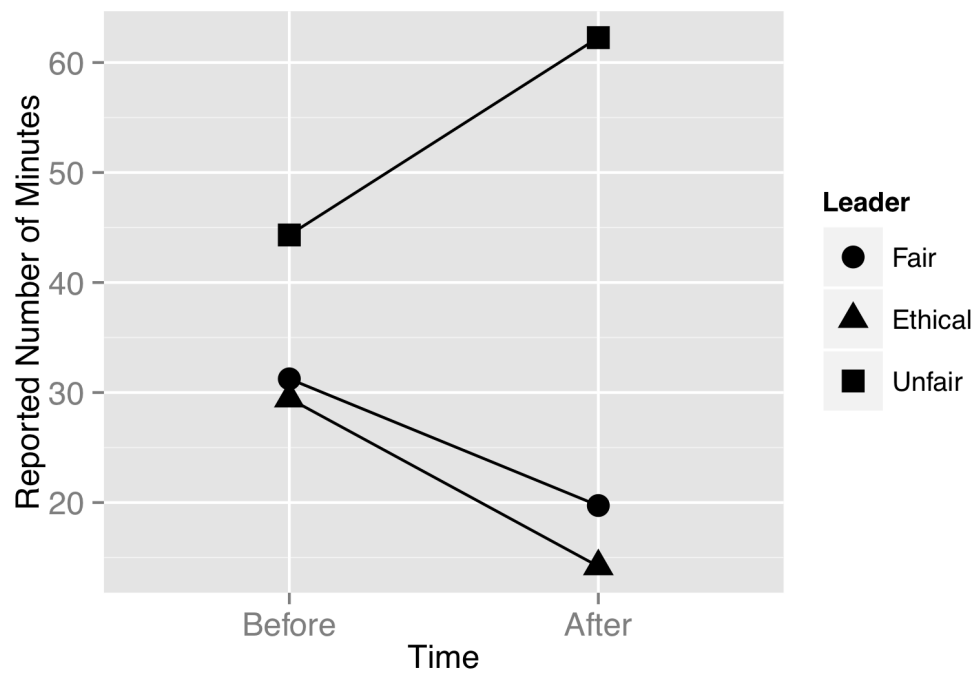


Figure 1. Study 1: Means of the reported amount of work time (minutes per day) used for private matters before and after the leadership intervention by type of leadership.

Study 1: Discussion

In Study 1, we compared the effects of different types of leadership behavior on unethical behavior towards internal stakeholders (the leader and the company). Manipulation checks indicated that the manipulation was successful. As expected, we found that both ethical leadership and fair leadership reduced the

amount of work time employees used for private matters, and they both reduced it more than unfair leadership. This confirms previous non-experimental research (Aquino et al., 1999; Mayer et al., 2012) and suggests that both ethical leader and fair leader behavior influence employees' (un)ethical behavior towards internal stakeholders, as they seem to initiate a change in the employees' behavior towards the ethical. Additionally, this study was the first, as far as we are aware, to show that ethical and fair leadership work equally well in decreasing unethical behavior towards internal stakeholders. Therefore, as expected, Study 1 cannot support theoretical claims that ethical leadership and fair leadership are distinct concepts (Brown et al., 2005) in terms of their effect on employees' unethical behavior towards internal stakeholders.

Study 2: Methods

Participants and Recruiting Process

The recruiting process was the same as in Study 1, and we applied the same quality measures (digital fingerprinting, warm-up technique, speeder check). This time, we invited 3599 individuals by email to participate in the study. This was a fresh sample; none of the invitees had been invited to the first study. Of the invitees, 642 individuals accessed the survey. The experiment was accessible for 4 days and was closed then, because we had reached our targeted sample size. Of all the survey loaders, 99 (15.4%) participants dropped out, 88.9% of these before the experimental phase. Additionally, we had to screen out 143 (22.3%) participants, because they did not meet our inclusion criteria. This resulted in a total of 400 participants who were included in the study.

As in the first study, all participants (51% male) worked and lived in Germany (89% employed, 11% self-employed) and were aged from 16 to 69. Also, in terms of education, branches of industry and size of the company, duration of employment in the company, and managerial responsibility the distributions of this sample were very similar to the sample in Study 1.

Experimental Design and Procedure

In Study 2 we investigated the effect of different types of leadership on employees' unethical behavior towards *external* stakeholders (customers). More specifically, we investigated participants' reports of how dishonestly they behaved towards a customer in exaggerating the life expectancy of a product. The experimental design of Study 2 was very similar to the design of Study 1. Participants completed a German online survey entitled "Sales advisory service" (*Verkaufsberatung*). The survey had been approved by the ethics committee of the authors' university. We did not disclose the true purpose of the study until the end of the survey. As in Study 1, participants were told that they had worked for several years in the sales department of a middle-sized company. Immediately after this, we measured the dependent variable for the first time. Next, participants were told to imagine that they had received an attractive job offer from a competing company and had chosen to take the new job. Then, we randomly assigned the participants to different leadership scenarios. After the participants had gone through the scenarios, we measured the dependent variable for the second time and conducted the manipulation checks. Unlike in Study 1, in Study 2, we compared the effect of four types of leadership, as we added a group with a

leader who was fair towards the participants but at the same time suggested to the participants that they behave unethically towards customers (i.e., a seducing leader). Thus, in Study 2 we used a 2 x 4 mixed (within-between) factorial design.

Independent Variable: Leadership

In Study 2, we compared the following four types of leadership: fair leadership, ethical leadership, unfair leadership, and seducing leadership (fair leadership combined with suggestions to the employee to behave unethically towards customers). In the *fair leader* condition, participants received a scenario in which the leader was described as distributively, procedurally, and interpersonally fair.

In the scenario of the *ethical leader* condition the leader was described as fair in exactly the same way, but, additionally, the scenario contained a moral manager manipulation: The leader communicated that he expects his employees to always truthfully report the minimum life expectancy of a product (in this case seven years) to customers, and the participant was told that the leader had fired an employee who repeatedly had lied to customers.

The *seducing leader* was described as fair, as in the fair and ethical leader scenarios. Additionally, the seducing leader suggested unethical behavior towards the customers to the participants. He communicated to participants that they should report long life expectancies of the products to customers, no matter what the manufacturer of the product had indicated as a realistic life expectancy, because this would enhance sales success. Further, the participant was told that the leader rewards employees that achieve high sales numbers with a bonus.

The *unfair leader* was described as distributively, procedurally, and interpersonally unfair. Appendix A contains English translations of all the scenarios.

As in Study 1, for manipulation control we measured fairness/the moral person component of ethical leadership with two questions referring to the respective leader in the scenario: “How fair is your boss?” and “How ethical is your boss?” We expected ratings to be high for fair, ethical leadership, and seducing leadership, and to be low for unfair leadership. To check the moral manager component of the ethical leadership manipulation we asked: “Does your boss instruct you to honestly report the life expectancy of the product (as indicated by the manufacturer) to the customer?” and “Do you think that the boss lays off or punishes employees who do not honestly report the minimum life expectancy (as indicated by the manufacturer) to the customer?” Again, these questions referred to the leader in the scenario. Here, we expected high ratings for ethical leadership, low ratings for fair leadership and even lower ratings for seducing leadership. All ratings were assessed with a 9-point Likert scale.

Dependent Variable: Dishonesty towards Customers

To assess the participants’ dishonest behavior towards customers, participants were told that the life expectancy of a specific washing machine was seven to 15 years according to the manufacturer of the washing machine. They were also told that customers prefer to buy washing machines with long life expectancies. After this, participants encountered a customer in the scenario who asked the participant how long the life expectancy of this washing machine is at

the minimum. Participants then had to indicate the number of years as an answer. As in Study 1, the measurement procedure was identical for both the measurement before and that after the manipulation of the independent variable.

Study 2: Results

In Study 2, we tested Hypotheses 2, 7, 8, and 9. Including manipulation checks, we conducted five tests in total with the same data. Therefore, as in Study 1, we applied the Bonferroni correction to control for familywise error rates and set the level of significance for each test on $p < 0.01$. All statistical analyses were conducted in the R statistical environment (R Core Team, 2013b).

Manipulation Checks

For the manipulation checks, we used the same approach as in Study 1, so we analyzed the participants' ratings of how much they perceived the leader in their scenarios to be a moral person (Cronbach's $\alpha = 0.91$) and a moral manager (Cronbach's $\alpha = 0.43$). However, as Cronbach's α for the moral manager scale was very low, we analyzed the two components of the scale, communication about ethical issues and disciplining unethical behavior, separately.

As expected, planned contrasts revealed that the fair ($M = 6.75$, $SE = 0.12$), ethical ($M = 7.23$, $SE = 0.11$), and seducing leaders ($M = 5.85$, $SE = 0.12$) were rated significantly more highly on the moral person scale than the unfair leader ($M = 3.10$, $SE = 0.12$), $t(380) = 17.66$, $p < .001$, $r = .67$. Additionally, we found that the fair and ethical leaders were rated significantly more highly than the seducing leader, however the effect was much smaller, $t(380) = 5.5$, $p < .001$, $r = .27$. We did not find a significant difference between the ratings of the ethical and the fair leader, $t(380) = -1.96$, $p = .14$.

To assess the moral manager dimension of our leadership scenarios, the participants rated the extent to which the leader communicated that unethical behavior is not acceptable (communication) and that to which the leader would discipline unethical behavior (discipline). Planned contrasts showed that the ethical ($M = 7.13$, $SE = 0.23$) and the fair leader ($M = 5.71$, $SE = 0.22$) were perceived to communicate more about ethical issues than the seducing leader ($M = 3.84$, $SE = 0.24$), $t(363) = 9.37$, $p < .001$, $r = .44$, and the ethical leader more so than the fair leader, $t(363) = -4.37$, $p < .001$, $r = .22$. The ethical leader ($M = 5.68$, $SE = 0.26$) was also perceived to discipline unethical behavior more than the fair ($M = 4.05$, $SE = 0.21$) and the seducing leader ($M = 4.37$, $SE = 0.21$), $t(356) = -5.25$, $p < .001$, $r = .27$, but we did not find a difference between ratings of the fair and the seducing leader, $t(356) = -.97$, $p = .56$.

Hypothesis 2

In Hypothesis 2 we predicted that ethical leadership decreases the employees' unethical behavior towards customers and, therefore, participants would report a lower life expectancy of the product to the customer in the scenario. As normality of the sample of differences between scores could not be assumed, we conducted a robust dependent t test based on a trimmed mean (Wilcox, 2005). It revealed that participants reported a significantly lower life expectancy (in years) of the product on average after the ethical leadership intervention ($M = 7.17$) than before ($M = 9.22$), pooled $SE = .31$, $t(59) = 6.54$, $p < .001$, $r = .65$.

Hypotheses 7, 8, and 9

To test Hypotheses 7, 8, and 9, we analyzed the mixed (within-between) factorial design again with hierarchical linear modeling (HLM) with full maximum likelihood estimation using the nlme package (Pinheiro et al., 2012) of the R environment. However, this time we compared four groups (employees of an ethical leader, fair leader, unfair leader, and seducing leader) before and after the leadership intervention (time).

The final model regressed the reported life expectancy (in years) of the product on time of measurement and type of leadership and included a random intercept of time for each subject, $SD = 2.3$, $\chi^2(2) = 172.66$, $p < .0001$. Figure 2 shows the means of the four groups before and after the leadership intervention.

Due to the nature of our hypotheses, we did not analyze the main effects, only the interaction of time and type of leadership. We used nonorthogonal planned contrasts to break down the general interaction. The first contrast showed that the life expectancy reports of the ethical leader group decreased significantly more than those of the fair leader group, $b = -1.86$, $t(397) = -5.23$, $p < 0.001$, $r = .25$. This supports Hypothesis 7. The second planned contrast revealed that the life expectancy reports of the seducing leader group increased significantly more than those of the fair leader group, $b = 1.07$, $t(397) = 3.02$, $p < 0.01$, $r = .15$, which supports Hypothesis 8. Finally, the result of the third planned contrast supports Hypothesis 9, as the life expectancy reports of the unfair leader group decreased significantly more than those of the fair leader group, $b = -1.00$, $t(397) = -2.79$, $p < 0.01$, $r = .14$.

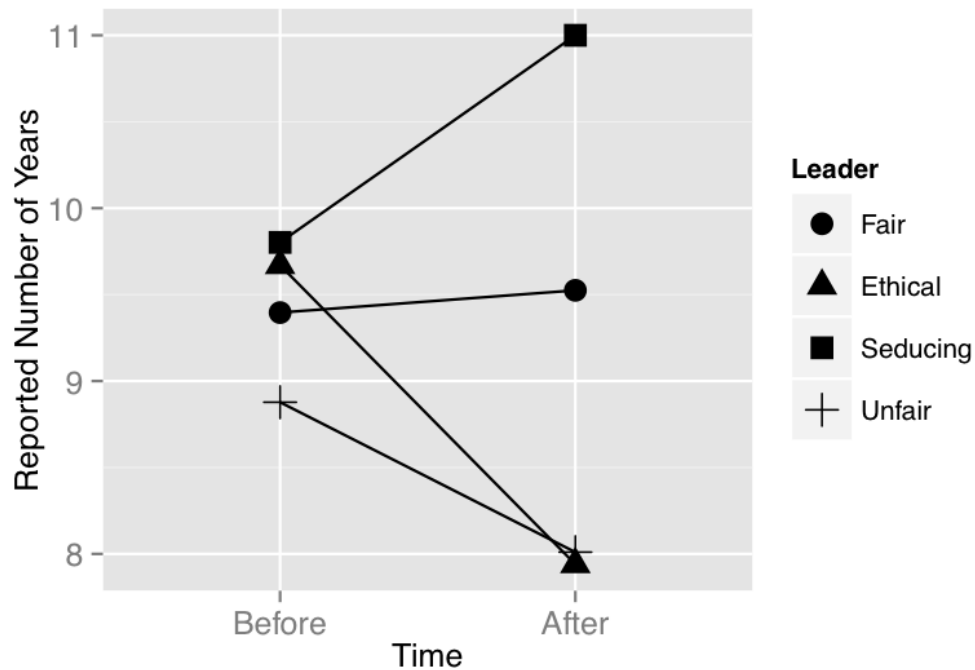


Figure 2. Study 2: Reported life expectancy of the product before and after the leadership intervention by type of leadership.

Study 2: Discussion

While Study 1 investigated the effect of leadership on employees' unethical behavior towards internal stakeholders, Study 2 focused on unethical behavior towards external stakeholders. As in Study 1, all hypotheses were supported. We found that ethical leadership reduced the employees' dishonest reports to customers on the life expectancy of a product. Fair leadership was less effective than ethical leadership in reducing dishonesty, and seducing leadership was even less effective than fair leadership. Fair leadership was also less effective than unfair leadership. Therefore, Study 2 indicates that ethical leadership and fair

leadership differ in terms of their effects on employees' unethical behavior towards external stakeholders, and that ethical leadership is more effective.

Manipulation checks for the moral person/fairness component indicated that the manipulation for this component had been successful, as the ethical, fair and seducing leaders were all rated more highly than the unfair leader. However the low Cronbachs's alpha of the moral manager scale suggests that the two items, communication about ethical issues and disciplining unethical behavior, represent distinctive behaviors rather than two aspects of the same construct. Therefore, we, analyzed them separately and found that, while the manipulation of the communication behavior had worked successfully to distinguish between the ethical, the fair, and the seducing leaders, the manipulation of the disciplining behavior had not worked sufficiently in the seducing leader condition. The seducing leader should have made participants believe that he would not punish them for dishonest behavior but rather reward them. However, we did not find a significant difference to the fair leader group. Therefore, we must assume that the manipulation of the seducing leader condition has not been fully successful and that the effects found, although highly significant, would have been even larger in the case of a fully successful manipulation.

General Discussion

In recent years, international disasters, such as the financial crisis and the Gulf of Mexico oil spill, have intensified calls for more ethical and less unethical behavior in companies. Leadership is assumed to be a powerful tool to shape employees' behavior; however research on the effect of leadership on employees' (un)ethical behavior is still rare. This paper adds at least two contributions to this

topic. Firstly, we explored ethical and fair leadership as possible causes of the employees' unethical behavior, and, secondly, we thereby contributed to empirically clarify the difference between ethical and fair leadership. In the following, we discuss these two contributions in more detail.

The Effects of Ethical and Fair Leadership on Employees' Unethical Behavior

Our results add to the discussion about causes of (un)ethical decision making and behavior in organizations as they suggest that leaders influence their employees' unethical behavior. More specifically, our experimental evidence indicates that both ethical and fair leaders seem to decrease their employees' unethical behavior towards internal stakeholders. This is in accordance with previous correlational research on employees' deviant behavior (e.g. Aquino et al., 1999; Mayer et al., 2009).

However, in contrast to previous research, we also investigated employees' unethical behavior towards external stakeholders. Our research indicates that ethical leadership is a valuable resource for decreasing employees' unethical behavior toward external stakeholders, while fair leadership behavior is not. Indeed, fair leadership, if combined with suggestions from the leader to behave unethically, can increase employees' unethical behavior towards an external stakeholder, if the employees feel that this would benefit their leader.

We consider the focus of these findings on external stakeholders to be very important, as almost all major business scandals have involved unethical behavior towards external stakeholders. For example, in the Gulf of Mexico oil spill, not

only were employees of BP harmed, but the whole coastal area was economically and ecologically ruined. However, previous research on leadership and unethical behavior has almost exclusively focused on deviant or unethical behaviors at the workplace towards internal stakeholders (Mayer et al., 2012; Mayer et al., 2010; Mayer et al., 2009), such as to “take property from work without permission” or to “come in late for work without permission” (Bennett & Robinson, 2000, p. 352). Although these behaviors can be considered to be unethical, they are probably far from causing major catastrophes, such as the financial crisis or the Gulf of Mexico oil spill. It is rather unethical behavior towards external stakeholders, such as avoiding safety measures that protect the environment (Ladd, 2011) or selling mortgages to customers who could not afford them (United States, 2010), that has been linked to these catastrophes. Therefore, we consider it to be highly important to investigate factors influencing unethical behavior towards external stakeholders. As a first step, our findings add to a better understanding of how leadership can prevent unethical behavior towards external stakeholders.

The Difference Between Ethical and Fair Leadership

The second contribution of this paper is to empirically investigate the difference between ethical and fair leadership. Although theory on ethical leadership claimed that ethical leadership is distinct from the leader’s fairness because of the moral manager dimension (Brown et al., 2005), empirical evidence is still rare, and the existing studies have compared ethical leadership only to singular aspects of fairness (Mayer et al., 2012; Walumbwa et al., 2011). Our results suggest that, if ethical leadership is compared not only to one but to all

aspects of the leader's fairness (distributional, procedural and interactional), ethical and fair leadership do not differ concerning their effect on employees' unethical behavior towards internal stakeholders. This may raise questions whether the ethical leadership concept, as defined by Brown et al. (2005), really is distinct from fairness. However, ethical and fair leadership do seem to differ concerning their effect on employees' unethical behavior towards external stakeholders. It is the moral manager dimension of the ethical leadership concept which seems to make the difference. We suspect that the moral manager behavior may help the employees to solve a moral conflict which arises when employees have to choose between either harming either their leader or a third party, such as a customer. However, this will have to be tested by future research. We can conclude that ethical leadership, while decreasing unethical behavior towards both internal and external stakeholders, is truly valuable and superior to fair leadership in the case of protecting external stakeholders from employees' misconduct.

It is important to note, however, that the leader as a moral manager has to make his consideration of external stakeholders explicit. An ethical leader whose moral manager behavior focuses on internal stakeholders only will hardly be more effective than a fair leader in decreasing the employees' unethical behavior towards external stakeholders. Therefore, we agree with previous qualitative research which has found that the consideration of external stakeholders is a substantial feature of executive ethical leadership (Frisch & Huppenbauer, 2013; Treviño et al., 2003). Unfortunately, existing definitions of and scales for measuring ethical leadership mostly do not specifically mention the consideration

of external stakeholders (Brown et al., 2005; Kalshoven et al., 2011; Tanner, Brügger, van Schie, & Lebherz, 2010). This might also be the reason why Schaubroeck et al. (2012), in their study of an army sample, were not able to consistently negatively relate ethical leadership to transgressions (e.g. killings) of noncombatants. Therefore, we argue that definitions and measuring instruments of ethical leadership should explicitly mention the consideration of external stakeholders. Otherwise, as our results suggest, the concept of ethical leadership may risk producing empirical effects very similar to those of the leader's fair behavior, and difficulties might occur in empirically proving that it differs from earlier concepts of fairness (e.g. Colquitt, 2001) enacted through the leader.

Practical Implications

Leaders in organizations who want to prevent or decrease their employees' unethical behavior can gain some practical advice from our results. Firstly, our results suggest that it is important for leaders to discriminate between unethical behavior towards internal and external stakeholders, as the effect of leadership may vary depending on the type of stakeholder that is being addressed by the unethical behavior.

Secondly, ethical leaders are always "on the safe side". Being both a moral/fair person and a moral manager seems to decrease the employees' unethical behavior towards both internal and external stakeholders. However, our results also indicate that moral manager behavior towards internal stakeholders as conceptualized by Brown and Treviño (2006) may be wasted effort, as the leader's fair behavior without the moral manager behavior seems to produce the same result. Keeping in mind that moral manager behavior may be time

consuming and costly (e.g. in the case of rewarding ethical behavior), leaders are probably better off without moral manager behavior when addressing unethical behavior towards internal stakeholders.

Thirdly, leaders should keep in mind that fair leader behavior seems to be a two-edged affair concerning its effect on employees' unethical behavior. While it decreases unethical behavior towards internal stakeholders, it does not decrease unethical behavior towards a third party, such as an external stakeholder. Our results imply that fairly treated employees are especially vulnerable to being seduced into unethical behavior towards a third party. It seems likely that this may even happen with third parties very closely related to organizations, such as shareholders, or even with third parties *inside* the organizations, which nonetheless can be experienced as not belonging to the core group, such as members of a different department or a competing team with a different supervisor. We suggest that these be termed *pseudo-external stakeholders* and we suspect that, as in the case of external stakeholders, a supervisor's fair behavior does not decrease unethical behavior towards pseudo-external stakeholders. However, future research will have to test this hypothesis.

Limitations and Future Directions

While we consider the randomized experimental design to be a strength of our studies because it allowed us to test causality, it is also important to recognize the limitations of the design. First of all, the external validity may be limited, so we do not know how far the results can be generalized. Further, the participants worked exclusively in Germany. Future research in the field and in different

cultural contexts may be necessary to assess the generalizability of our results. As we used scenarios to manipulate and measure the variables, we did not observe the actual behavior of the participants, but rather statements of their intention to behave in a specific way. It might be interesting for future research, therefore, to observe the actual (un)ethical behavior of employees and compare it to their intentions of behavior, as already suggested by Kish-Gephart et al. (2010). Future research should also test the effects of ethical leadership on a broader range of specific unethical behaviors, as our experiments each focused only on a single specific unethical behavior.

Secondly, experimental designs are prone to issues of demand characteristics and social desirability, so participants may guess the hypothesis of the researcher and change their behavior to be consonant or dissonant with the hypothesis, or participants might want to appear to be behaving in a social desirable way (Nederhof, 1985; Weber & Cook, 1972). However, we attempted to limit these issues by not disclosing the true purpose of the studies until the end of the surveys and by guaranteeing absolute anonymity, avoiding any personal contact with the participants, and not collecting any data that would have allowed us to discover the identity of a person. Furthermore, previous research has shown that, in experiments when issues of both social desirability and demand characteristics were present, participants “chose to look good over confirming the hypothesis” (Nichols & Maner, 2008, p. 161; Sigall, Aronson, & Hoose, 1970; Weber & Cook, 1972). This suggests for our studies that possible distortions of our data, if any, would result from issues of social desirability rather than from demand characteristics. However, as in some conditions our participants reported

increasing unethical and, thus, socially undesirable behavior, we may assume that the effects of our manipulations were not overridden by effects of social desirability. Nonetheless, we would like to repeat our call for future research in the field observing actual behavior.

Lastly, as we have already mentioned in the discussion section of Study 2, manipulation checks indicated that the manipulation of the seducing leader condition in Study 2 may not have been fully successful, even though all tests of the hypotheses proved to be highly significant. Therefore, we can assume that a fully successful manipulation would have led to even larger effect sizes concerning the group differences.

Besides these limitations, we would like to point out an additional interesting avenue for future research: As we have mentioned earlier, we would like to encourage the development of new measurement instruments for ethical leadership which explicitly incorporate the leader's consideration of external stakeholders. Such an instrument would pave the way to promising new areas of field research concerning the effects of ethical leadership on external stakeholders.

Conclusion

Our results suggest, firstly, that leadership can be a powerful resource for decreasing employees' unethical behavior, but not for any kind of leadership and not in any kind of situation. The success of the leadership intervention seems to depend on the type of leadership and on the type of stakeholder that is being addressed by the employees' unethical behavior. While *ethical* leadership

decreases employees' unethical behavior towards both internal and external stakeholders, *fair* leadership seems to produce this effect only towards *internal* stakeholders.

Secondly, our results imply that ethical leadership and fair leadership (understood as the leader's distributively, procedurally and interactionally fair behavior) are different concepts, as ethical and fair leadership seem to produce different effects on employees' unethical behavior towards external stakeholders. However, this difference does not hold true for unethical behavior towards internal stakeholders, as ethical and fair leadership seem to work equally well in decreasing employees' unethical behavior towards internal stakeholders, such as deviant behavior towards the company. Therefore, we conclude that, while ethical leadership seems to protect both internal and external stakeholders from the employees' unethical behavior, the specific strength of ethical leadership lies in protecting external stakeholders. However, this seems to be true only if ethical leadership explicitly focuses not only on ethical behavior towards internal stakeholders but also on ethical behavior towards external stakeholders. Consequently we would like to encourage future research and development of theory and measuring scales that incorporate the ethical leader's concern for external stakeholders.

References

- Aquino, K., Lewis, M. U., & Bradfield, M. (1999). Justice constructs, negative affectivity, and employee deviance: a proposed model and empirical test. *Journal of Organizational Behavior*, 20(7), 1073-1091. doi: 10.1002/(sici)1099-1379(199912)20:7<1073::aid-job943>3.0.co;2-7
- Avey, J. B., Palanski, M. E., & Walumbwa, F. O. (2010). When leadership goes unnoticed: The moderating role of follower self-esteem on the relationship between ethical leadership and follower behavior. *Journal of Business Ethics*, 98(4), 573-582. doi: 10.1007/s10551-010-0610-2
- Avey, J. B., Wernsing, T. S., & Palanski, M. E. (2012). Exploring the process of ethical leadership: The mediating role of employee voice and psychological ownership. *Journal of Business Ethics*, 107(1), 21-34. doi: 10.1007/s10551-012-1298-2
- Bass, B. M., & Steidlmeier, P. (1999). Ethics, character, and authentic transformational leadership behavior. *The Leadership Quarterly*, 10(2), 181-217. doi: 10.1016/s1048-9843(99)00016-8
- Bazerman, M. H., & Gino, F. (2012). Behavioral ethics: Toward a deeper understanding of moral judgment and dishonesty. *Annual Review of Law and Social Science*, 8(1), 85-104. doi: 10.1146/annurev-lawsocsci-102811-173815
- Bennett, R. J., & Robinson, S. L. (2000). Development of a measure of workplace deviance. *Journal of Applied Psychology*, 85(3), 349-360.
- Blau, P. M. (1964). *Exchange and power in social life*. New York: Wiley.

-
- Bowie, N. E., & Werhane, P. H. (2005). *Management ethics*. Oxford: Blackwell Publishing.
- Brief, A. P. (2012). The good, the bad, and the ugly: What behavioral business ethics researchers ought to be studying. In D. De Cremer & A. E. Tenbrunsel (Eds.), *Behavioral business ethics: Shaping an emerging field*. New York: Routledge.
- Brown, M. E., & Mitchell, M. S. (2010). Ethical and unethical leadership: Exploring new avenues for future research. *Business Ethics Quarterly*, 20(4), 583-616.
- Brown, M. E., & Treviño, L. K. (2006). Ethical leadership: A review and future directions. *The Leadership Quarterly*, 17(6), 595-616. doi: 10.1016/j.leaqua.2006.10.004
- Brown, M. E., Treviño, L. K., & Harrison, D. A. (2005). Ethical leadership: A social learning perspective for construct development and testing. *Organizational Behavior and Human Decision Processes*, 97(2), 117-134. doi: 10.1016/j.obhdp.2005.03.002
- Burns, J. M. (1978). *Leadership*. Oxford: Harper & Row.
- Colquitt, J. A. (2001). On the dimensionality of organizational justice: A construct validation of a measure. *Journal of Applied Psychology*, 86(3), 386-400. doi: 10.1037/0021-9010.86.3.386
- Den Hartog, D. N., & Belschak, F. D. (2012). Work engagement and machiavellianism in the ethical leadership process. *Journal of Business Ethics*, 107(1), 35-47. doi: 10.1007/s10551-012-1296-4

- Donaldson, T., & Preston, L. E. (1995). The stakeholder theory of the corporation: Concepts, evidence, and implications. *Academy of Management Review*, 20(1), 65-91. doi: 10.5465/amr.1995.9503271992
- Field, A., Miles, J., & Field, Z. (2012). *Discovering statistics using R*. London: SAGE.
- Fox, J., & Weisberg, S. (2011). *An {R} companion to applied regression* (2nd ed.). Thousand Oaks, CA: Sage.
- Frisch, C., & Huppenbauer, M. (2013). New insights into ethical leadership: A qualitative investigation of the experiences of executive ethical leaders. *Journal of Business Ethics*. doi: 10.1007/s10551-013-1797-9
- Greenberg, J. (1990). Employee theft as a reaction to underpayment inequity: The hidden cost of pay cuts. *Journal of Applied Psychology*, 75(5), 561.
- Harrell Jr, F. E., & Dupont, C. (2013). Hmisc: Harrell miscellaneous. *R package version 3.12-2*
- Hothorn, T., Bretz, F., & Westfall, P. (2008). Simultaneous inference in general parametric models. *Biometrical Journal*, 50(3), 346-363.
- Huppenbauer, M., & Tanner, C. (2014). Ethical leadership: How to integrate empirical and ethical aspects for promoting moral decision making in business practice. In M. Christen, C. van Schaik, J. Fischer, M. Huppenbauer & C. Tanner (Eds.), *Empirically informed ethics: Morality between facts and norms* (pp. 239-254). Cham: Springer International Publishing Switzerland.

-
- Ibanez, F., Grosjean, P., & Ettienne, M. (2013). pastecs: Package for analysis of space-time ecological series. *R package version 1.3-15*, from <http://CRAN.R-project.org/package=pastecs>
- Jones, T. M. (1991). Ethical decision making by individuals in organizations: An issue-contingent model. *The Academy of Management Review*, 16(2), 366-395. doi: 10.2307/258867
- Jones, T. M., & Felps, W. (2013). Stakeholder happiness enhancement. *Business Ethics Quarterly*, 23(3), 349-379. doi: 10.5840/beq201323325
- Judge, T. A., Scott, B. A., & Ilies, R. (2006). Hostility, job attitudes, and workplace deviance: Test of a multilevel model. *Journal of applied psychology*, 91(1), 126-138. doi: 10.1037/0021-9010.91.1.126
- Kalshoven, K., Den Hartog, D. N., & De Hoogh, A. H. B. (2011). Ethical leadership at work questionnaire (ELW): Development and validation of a multidimensional measure. *The Leadership Quarterly*, 22(1), 51-69. doi: 10.1016/j.leaqua.2010.12.007
- Kish-Gephart, J. J., Harrison, D. A., & Treviño, L. K. (2010). Bad apples, bad cases, and bad barrels: meta-analytic evidence about sources of unethical decisions at work. [Meta-Analysis]. *The Journal of applied psychology*, 95(1), 1-31. doi: 10.1037/a0017103
- Ladd, A. E. (2011). Pandora's well: Hubris, deregulation, fossil fuels, and the BP oil disaster in the gulf. *American Behavioral Scientist*, 56(1), 104-127. doi: 10.1177/0002764211409195
- Liao, H., & Rupp, D. E. (2005). The impact of justice climate and justice orientation on work outcomes: a cross-level multifoci framework. *The*

Journal of applied psychology, 90(2), 242-256. doi: 10.1037/0021-9010.90.2.242

Loi, R., Lam, L. W., & Chan, K. W. (2011). Coping with job insecurity: The role of procedural Justice, ethical leadership and power distance orientation.

Journal of Business Ethics, 108(3), 361-372. doi: 10.1007/s10551-011-1095-3

Masterson, S. S., Lewis, K., Goldman, B. M., & Taylor, M. S. (2000). Integrating justice and social exchange: The differing effects of fair procedures and treatment on work relationships. *Academy of Management Journal*, 43(4), 738-748. doi: 10.2307/1556364

Matsuda, C. (1999, November 2nd). Gandhi freed India with the power of nonviolence, *Los Angeles Times*.

Mayer, D. M., Aquino, K., Greenbaum, R., & Kuenzi, M. (2012). Who displays ethical leadership, and why does it matter? An examination of antecedents and consequences of ethical leadership. *Academy of Management Journal*, 55(1), 151-171. doi: 10.5465/amj.2008.0276

Mayer, D. M., Kuenzi, M., & Greenbaum, R. (2010). Examining the link between ethical leadership and employee misconduct: The mediating role of ethical climate. *Journal of Business Ethics*, 95(0), 7-16. doi: 10.1007/s10551-011-0794-0

Mayer, D. M., Kuenzi, M., Greenbaum, R., Bardes, M., & Salvador, R. (2009). How low does ethical leadership flow? Test of a trickle-down model.

Organizational Behavior and Human Decision Processes, 108(1), 1-13.

doi: 10.1016/j.obhdp.2008.04.002

Miller, D. (1999). *Principles of social justice*. Cambridge: Harvard University Press.

Nederhof, A. J. (1985). Methods of coping with social desirability bias: A review.

European Journal of Social Psychology, 15(3), 263-280. doi:

10.1002/ejsp.2420150303

Neubert, M. J., Carlson, D. S., Kacmar, K. M., Roberts, J. A., & Chonko, L. B.

(2009). The virtuous influence of ethical leadership behavior: Evidence from the field. *Journal of Business Ethics*, 90(2), 157-170. doi:

10.1007/s10551-009-0037-9

Nichols, A. L., & Maner, J. K. (2008). The good-subject effect: Investigating participant demand characteristics. *Journal of General Psychology*, 135(2), 151-166.

O'Fallon, M. J., & Butterfield, K. D. (2005). A review of the empirical ethical decision-making literature: 1996–2003. *Journal of Business Ethics*, 59(4), 375-413. doi: 10.1007/s10551-005-2929-7

Pinheiro, J., Bates, D., DebRoy, S., Sarkar, D., & the R Development Core team. (2012). nlme: Linear and nonlinear mixed effects models. *R package version 3.1-301*.

R Core Team. (2013a). foreign: Read data stored by minitab, S, SAS, SPSS, Stata, Systat, dBase, *R package versin 0.8-53*, from <http://CRAN.R-project.org/package=foreign>

-
- R Core Team. (2013b). R: A language and environment for statistical computing. *R Foundation for Statistical Computing*, from <http://www.R-project.org/>
- Rawls, J. (1971). *A theory of justice*. Cambridge: Harvard University Press.
- Reips, U.-D. (2002). Standards for Internet-based experimenting. *Experimental Psychology*, 49(4), 243-256.
- Resick, C. J., Hargis, M. B., Shao, P., & Dust, S. B. (2013). Ethical leadership, moral equity judgments, and discretionary workplace behavior. *Human Relations*, 66(7), 951-972. doi: 10.1177/0018726713481633
- Rest, J. R. (1986). *Moral development: Advances in research and theory*. New York: Praeger.
- Revelle, W. (2013). psych: Procedures for personality and psychological research. *R package version 1.3.2.*, from <http://CRAN.R-project.org/package=psych>
- Robinson, S. L., & Bennett, R. J. (1995). A typology of deviant workplace behaviors: A multidimensional scaling study. *Academy of Management Journal*, 38(2), 555-572. doi: 10.2307/256693
- Ross, W. T., Jr., & Robertson, D. C. (2000). Lying: The impact of decision context. *Business Ethics Quarterly*, 10(2), 409-440.
- Rowold, J., Borgmann, L., & Heinitz, K. (2009). Ethische Führung: Gütekriterien einer deutschen Adaptation der Ethical Leadership Scale (ELS-D) von Brown et al. (2005). [Ethical leadership: psychometric properties of a German adaptation of Brown et al. (2005) Ethical Leadership Scale (ELS-D)]. *Zeitschrift für Arbeits- und Organisationspsychologie*, 53(2), 57-69. doi: 10.1026/0932-4089.53.2.57

- Schaubroeck, J. M., Hannah, S. T., Avolio, B. J., Kozlowski, S. W. J., Lord, R. G., Treviño, L. K., . . . Peng, A. C. (2012). Embedding ethical leadership within and across organizational levels. *Academy of Management Journal*, 55(5), 1053-1078. doi: 10.5465/amj.2011.0064
- Sigall, H., Aronson, E., & Hoose, T. V. (1970). The cooperative subject: Myth or reality? *Journal of Experimental Social Psychology*, 6(1), 1-10. doi: [http://dx.doi.org/10.1016/0022-1031\(70\)90072-7](http://dx.doi.org/10.1016/0022-1031(70)90072-7)
- Skarlicki, D. P., & Folger, R. (1997). Retaliation in the workplace: The roles of distributive, procedural, and interactional justice. *Journal of Applied Psychology*, 82(3), 434-443. doi: 10.1037/0021-9010.82.3.434
- Skarlicki, D. P., Folger, R., & Tesluk, P. (1999). Personality as a moderator in the relationship between fairness and retaliation. *The Academy of Management Journal*, 42(1), 100-108.
- Tanner, C., Brügger, A., van Schie, S., & Lebherz, C. (2010). Actions speak louder than words. *Journal of Psychology*, 218(4), 225-233. doi: 10.1027/0044-3409/a000032
- Tenbrunsel, A., & Smith-Crowe, K. (2008). Ethical decision making: Where we've been and where we're going. *The Academy of Management Annals*, 2(1), 545-607. doi: 10.1080/19416520802211677
- Treviño, L. K., Brown, M. E., & Hartman, L. P. (2003). A qualitative investigation of perceived executive ethical leadership: Perceptions from inside and outside the executive suite. *Human Relations*, 56(1), 5-37. doi: 10.1177/0018726703056001448

-
- Treviño, L. K., Weaver, G. R., & Reynolds, S. J. (2006). Behavioral ethics in organizations: A review. *Journal of Management*, 32(6), 951-990. doi: 10.1177/0149206306294258
- Umphress, E. E., Run Ren, L., Bingham, J. B., & Itir Gogus, C. (2008). The influence of distributive justice on lying for and stealing from a supervisor. *Journal of Business Ethics*, 86(4), 507-518. doi: 10.1007/s10551-008-9861-6
- United States. (2010). *The financial crisis inquiry report: Final report of the National Commission on the Causes of the Financial and Economic Crisis in the United States*. Washington, DC: Financial Crisis Inquiry Commission.
- van Knippenberg, D., De Cremer, D., & van Knippenberg, B. (2007). Leadership and fairness: The state of the art. *European Journal of Work and Organizational Psychology*, 16(2), 113-140. doi: 10.1080/13594320701275833
- Walumbwa, F. O., Mayer, D. M., Wang, P., Wang, H., Workman, K., & Christensen, A. L. (2011). Linking ethical leadership to employee performance: The roles of leader-member exchange, self-efficacy, and organizational identification. *Organizational Behavior and Human Decision Processes*, 115(2), 204-213. doi: 10.1016/j.obhdp.2010.11.002
- Walumbwa, F. O., Morrison, E. W., & Christensen, A. L. (2012). Ethical leadership and group in-role performance: The mediating roles of group

- conscientiousness and group voice. *The Leadership Quarterly*, 23(5), 953-964. doi: 10.1016/j.leaqua.2012.06.004
- Warnes, G. R., Bolker, B., Gorjanc, G., Grothendieck, G., Korosec, A., Lumley, T., . . . Rogers, J. (2013). gdata: Various R programming tools for data manipulation. *R package version 2.13.2*, from <http://CRAN.R-project.org/package=gdata>
- Weber, S. J., & Cook, T. D. (1972). Subject effects in laboratory research: An examination of subject roles, demand characteristics, and valid inference. *Psychological Bulletin*, 77(4), 273-295. doi: 10.1037/h0032351
- Wettstein, F. (2009). *Multinational corporations and global justice: Human rights obligations of a quasi-governmental institution*. Stanford: Stanford University Press.
- Wickham, H. (2007). Reshaping data with the reshape package. *Journal of Statistical Software*, 21(12).
- Wickham, H. (2009). *ggplot2: elegant graphics for data analysis*. New York: Springer.
- Wickham, H. (2011). The split-apply-combine strategy for data analysis. *Journal of Statistical Software*, 40(1), 1-29.
- Wilcox, R. R. (2005). *Introduction to robust estimation and hypothesis testing* (2nd ed.). Burlington, MA: Elsevier.

Appendix - Scenarios

Study 1: Leadership Scenarios, English Translation

Fair leader condition

For several months, you have worked in the new company. Your new boss is very fair. You have demonstrated great commitment, and, for this reason, your boss has already given you a pay rise. You are very pleased with your salary. Furthermore, your boss treats you in a respectful, polite, and friendly manner. He values your opinion and lets you influence his decision processes. He treats you honestly and justifies his decisions thoroughly and reasonably.

You know that you harm your boss if you use a great amount of work time for private matters, because this reduces the success of the department. If the department is not successful, your boss will be in trouble. However, you will not be in trouble if you use a great amount of work time for private matters.

Ethical leader condition

For several months, you have worked in the new company. Your new boss is very fair. You have demonstrated great commitment, and, for this reason, your boss has already given you a pay rise. You are very pleased with your salary. Furthermore, your boss treats you in a respectful, polite, and friendly manner. He values your opinion and lets you influence his decision processes. He treats you honestly and justifies his decisions thoroughly and reasonably.

Your boss is very diligent and always shows full dedication to his job. He also expects his employees to pursue the goals of the company. Just the other day, he entreated all his employees not to use their work time for private matters, as

this harms the company. You know that your boss is serious about it. You also heard that he reluctantly had to lay off a former employee who had used a great part of his work time for private matters. Previously, your boss had warned him several times, but without success. You know that you harm your boss if you use a great amount of work time for private matters, because this reduces the success of the department. If the department is not successful, your boss will be in trouble. Additionally, you will also be in trouble if you use a great amount of work time for private matters.

Unfair leader condition

For several months, you have worked in the new company. Your new boss is very unfair. Even though you have demonstrated great commitment, your boss did not give you the pay rise that he had promised to you in the beginning. You are disgruntled with your salary. Furthermore, your boss treats you in a disrespectful, impolite, and unfriendly manner. He does not care about your opinion and does not let you influence his decision processes. He frequently treats you dishonestly and you cannot understand his decisions as he rarely gives any reasons for them. You know that you harm your boss if you use a great amount of work time for private matters, because this reduces the success of the department. If the department is not successful, your boss will be in trouble. However, you will not be in trouble if you use a great amount of work time for private matters.

Study 2: Leadership Scenarios, English Translation

Fair leader condition

For several months, you have worked in the new company. Your new boss is very fair. You have demonstrated great commitment, and, for this reason, your

boss has already given you a pay rise. You are very pleased with your salary. Furthermore, your boss treats you in a respectful, polite, and friendly manner. He values your opinion and lets you influence his decision processes. He treats you honestly and justifies his decisions thoroughly and reasonably.

Your job is to advise customers and sell as many household appliances as possible. You know that you harm your boss if you sell only little, because this reduces the success of the department. If the department is not successful, your boss will be in trouble. However, you will not be in trouble.

Ethical leader condition

For several months, you have worked in the new company. Your new boss is very fair. You have demonstrated great commitment, and, for this reason, your boss has already given you a pay rise. You are very pleased with your salary. Furthermore, your boss treats you in a respectful, polite, and friendly manner. He values your opinion and lets you influence his decision processes. He treats you honestly and justifies his decisions thoroughly and reasonably.

Your boss is very much a person of integrity. He treats not only his employees but also his customers very fairly. Just the other day, he entreated all his employees to treat all customers fairly. In particular, the customers have to be informed honestly about the quality and life expectancies of products. This is because, if the product breaks down earlier than the indicated life expectancy, the customer will feel cheated. Thus, you always have to indicate to the customer how long a product will last at the minimum. If the life expectancy of a product is 7-15

years according to the manufacturer, you have to report a life expectancy of seven years to the customer.

You know that your boss is serious about it. You also heard that he reluctantly had to lay off a former employee who had repeatedly lied to customers. Previously, your boss had warned him several times, but without success.

Your job is to advise customers and sell as many household appliances as possible. You know that you harm your boss if you sell only little, because this reduces the success of the department. If the department is not successful, your boss will be in trouble. On the other hand, you know that it is even more important to your boss to treat customers honestly. His motto is: “honesty before profit”, and he expects his employees to behave accordingly. Therefore, you will be in trouble if you lie to customers.

Seducing leader condition

For several months, you have worked in the new company. Your new boss is very fair. You have demonstrated great commitment, and, for this reason, your boss has already given you a pay rise. You are very pleased with your salary. Furthermore, your boss treats you in a respectful, polite, and friendly manner. He values your opinion and lets you influence his decision processes. He treats you honestly and justifies his decisions thoroughly and reasonably.

Your boss is a very successful salesperson. He knows how to talk customers around. His sales figures are the best in the whole company, and he readily shares his knowledge with and gives advice to his employees. Just the other day, at an internal sales training, he emphasized the following: “It is very

important to describe the product positively. If you want to sell successfully, you have to make it clear to the customer that the product is of good quality and that its life expectancy is very long. The manufacturers' reports on the life expectancy of products are only vague reference points anyway, as nobody exactly knows how long a product will last. If you want to sell, you have to report a long life expectancy to the customer."

Additionally, your boss has made it clear once again that he definitely rewards good performance among his employees. You know that your boss is serious about it. Every month, he gives a bonus to the employee with the best sales figures. Furthermore, he has already rewarded your great dedication with a pay rise.

Your job is to advise customers and sell as many household appliances as possible. You know that you harm your boss if you sell only little, because this reduces the success of the department. If the department is not successful, your boss will be in trouble. You would also harm yourself, because you will not receive any bonus with bad sales figures.

Unfair leader condition

For several months, you have worked in the new company. Your new boss is very unfair. Even though you have demonstrated great commitment, your boss did not give you the pay rise that he had promised to you in the beginning. You are disgruntled with your salary. Furthermore, your boss treats you in a disrespectful, impolite, and unfriendly manner. He does not care about your opinion and does not let you influence his decision processes. He treats you

dishonestly frequently and you cannot understand his decisions as he rarely gives any reasons for them.

Your job is to advise customers and sell as many household appliances as possible. You know that you harm your boss if you sell only little, because this reduces the success of the department. If the department is not successful, your boss will be in trouble. However, you will not be in trouble.

4.

General Discussion

The general purpose of this dissertation project was to enable a more precise understanding of ethical leadership. More specifically, three aims were pursued: (a) to further clarify the concept of ethical leadership, thus, to explore which behaviors are considered normatively appropriate, which stakeholders are important to an ethical leader, and to discover further antecedents and consequences of ethical leadership; (b) to investigate the ethical conduct of the followers as a consequence of ethical leadership; and (c) to investigate the difference between ethical leadership and fair leadership. Table 4.1. summarizes the aims and most important results of the three empirical studies, which are discussed in the following sections.

Clarifying the Concept of Ethical Leadership

Although research on ethical leadership has grown, especially concerning consequences of ethical leadership (e.g. Den Hartog & De Hoogh, 2009; Mayer, Kuenzi, Greenbaum, Bardes, & Salvador, 2009; Neubert, Carlson, Kacmar, Roberts, & Chonko, 2009), the description of ethical leadership itself has remained rather vague (Eisenbeiss, 2012; Giessner & Quaquebeke, 2011). The aim of Study 1, therefore, was to draw a more precise picture of the phenomenon of ethical leadership, of what it is, where it comes from, and what it is good for. Most importantly, we found that ethical leaders care not only for their employees' but for many different types of stakeholders, such as customers, shareholders, suppliers, society, and the natural environment. This descriptive finding is in line with postulations of prescriptive theories, such as normative stakeholder theory (Bowie & Werhane, 2005; Donaldson & Preston, 1995; Jones & Felps, 2013). Furthermore, we were able to identify several specific behaviors considered to be

normatively appropriate towards the different groups of stakeholders, as summarized in Table 4.1.

Table 4.1. Aims and major results of the dissertation

Aims		Major Results	Studies
a)	Further clarify the concept of EL	<ol style="list-style-type: none"> 1. Ethical leaders care for many stakeholders, such as employees, customers, suppliers, shareholders, the society, and the natural environment 2. Behaviors towards employees <ul style="list-style-type: none"> • fair compensation system • security of employment • foster health and work-life balance Behaviors towards customers <ul style="list-style-type: none"> • products of high quality • fair pricing • informing honestly Behaviors towards nat. environment <ul style="list-style-type: none"> • eco-friendly infrastructures and production processes Behaviors towards society <ul style="list-style-type: none"> • charitable giving • professional training for graduates • jobs for the socially disadvantaged Behaviors towards owners and their representatives <ul style="list-style-type: none"> • informing honestly 3. Antecedents of EL <ul style="list-style-type: none"> • ethical role models • business strategy focuses on long-term success • ownership of the company 4. Consequences of EL <ul style="list-style-type: none"> • wellbeing and satisfaction of stakeholders • wellbeing and satisfaction of ethical leader • positive feedback from media and society • long-term success of the company 	Study 1
b)	Investigate followers' ethical conduct as consequence of EL	<ol style="list-style-type: none"> 5. EL decreases employees' unethical behavior towards <i>internal</i> stakeholders 6. EL decreases followers' unethical behavior towards <i>external</i> stakeholders 	Study 2 ^a Study 3 ^b
c)	Investigate difference between EL and fair leadership	<ol style="list-style-type: none"> 7. EL and fair leadership decrease followers' unethical behavior towards <i>internal</i> stakeholders to an equal extent 8. EL decreases followers' unethical behavior towards <i>external</i> stakeholders more than fair leadership 	Study 2 ^a Study 3 ^b

Note. EL = Ethical Leadership. ^aIn Chapter 3 Study 2 is being referred to as *Study 1*. ^bIn Chapter 3 Study 3 is being referred to as *Study 2*.

Previous empirical research on ethical leadership has almost exclusively focused on the relationship between the leader and employees and ignored the leader's behavior towards any other types of stakeholders (Brown & Mitchell, 2010; Pless & Maak, 2011). Accordingly, measures of ethical leadership (Brown, Treviño, & Harrison, 2005; Kalshoven, Den Hartog, & De Hoogh, 2011; Tanner, Brügger, van Schie, & Lebherz, 2010) have tended to focus on the leaders' behavior solely towards employees and not towards other types of stakeholders. This is problematic, because using the existing measures employees may rate a leader who is fair towards employees but, for example, cheats customers as an ethical leader. This may happen because employees, on one hand, might not be aware that cheating is not normatively appropriate or, on the other hand, might not be aware of the leader's cheating at all. Our findings of specific behaviors of ethical leaders towards other stakeholders than employees, therefore, fill an important gap in ethical leadership research and theory, as they call the attention to ethical behavior not only towards employees but also towards other stakeholders. This may pave the way to a more thorough understanding of ethical leadership and to more precise measurement instruments.

Thirdly, we investigated further antecedents of ethical leadership. Previous research has mainly focused on the personality of the leader as an antecedent of ethical leadership (Kalshoven, Den Hartog, & De Hoogh, 2010; Walumbwa & Schaubroeck, 2009). Personality is considered to be a rather stable trait (McCrae & Costa, 1990) and, therefore, not a very promising starting point for enhancing the *development* of ethical leadership in organizations. However, we found that not only the personality of the leader but also aspects that can be influenced more

easily, such as the encounter of ethical role models and characteristics of the company, were reported to be important antecedents of ethical leadership. For example, a business strategy focused on long-term success rather than short-term success was seen as an important antecedent of ethical leadership. Furthermore, our results suggest that, to enhance ethical leadership, this business strategy has to be embraced by the owners and their representatives, such as the company board. Previous research has found a trickle-down effect of executive ethical leadership on supervisory-level ethical leadership (Mayer et al., 2009). However, our findings go beyond previous research, as they suggest that this trickle-down effect begins at an even higher stage, at the company board as representative of the major owners of a company. In conclusion, whether leaders in a company are ethical leaders depends not only on the personality of the leaders but also on the ethical influence of the owners and the company board, on the pursuit of a long-term success business strategy, and on the availability of ethical role models.

Lastly, Study 1 explored further consequences of ethical leadership. While previous research has focused on consequences concerning employees, such as employees' satisfaction and commitment (e.g. Den Hartog & De Hoogh, 2009), our interview partners mentioned consequences concerning other stakeholders than employees. First of all, ethical leadership was reported to enhance the well-being and satisfaction not only of employees but also of other stakeholders, such as customers or society in general. Further, our results suggest that ethical leadership also enhances the well-being of the ethical leaders themselves. Last but

not least, ethical leadership was thought to produce positive feedback from the public and enhance the long-term business success of the company.

Ethical Leadership and Employees' Ethical Behavior

Ethical leaders are defined as moral persons; that is, they behave normatively appropriately towards others (Brown et al., 2005). Furthermore, a core idea of ethical leadership is that an ethical leader is not only a moral person but also a moral manager (Brown & Treviño, 2006). An ethical leader is defined as managing the ethical conduct of employees. This makes sense, as most tasks in companies are carried out not by the leaders themselves but by employees. Thus, the ethical leader strives to ensure that the employees carry out the tasks in an ethical way. However, very little research has addressed the fundamental question whether employees of ethical leaders actually behave more ethically, or, in other words, whether ethical leadership is truly effective. Furthermore, the few existing studies have only addressed the effect of ethical leadership on employees' behavior towards internal stakeholders, such as deviant behavior towards the company (Avey, Palanski, & Walumbwa, 2010; Mayer, Aquino, Greenbaum, & Kuenzi, 2012; Mayer et al., 2009).

Going beyond these previous studies, the results of Studies 2 and 3 suggest that ethical leadership decreases unethical behavior not only towards internal stakeholders but also towards external stakeholders. This is important, because very often the victims of major business scandals have not been internal stakeholders only but also, or even principally, external stakeholders. For example, the world was shocked by the Gulf of Mexico oil spill largely not because 11 employees of BP were killed, but because the whole coastal region

was economically and ecologically devastated and has suffered immensely ever since (Ladd, 2011).

Our results suggest that ethical leadership may be a powerful resource for enhancing ethical conduct in companies towards both internal and external stakeholders and, consequently, for preventing further business scandals. Thus, we were able to find empirical support for one of the core, though yet understudied, ideas of the ethical leadership concept. However, our results also suggest that ethical leadership only enhances employees' ethical conduct towards external stakeholders if ethical leadership incorporates an explicit focus not only on employees but also on external stakeholders. Therefore, these findings add to the results of Study 1, which suggest that the concern for external stakeholders should be made explicit in theory and measurement instruments of ethical leadership.

Differentiating Ethical Leadership from Fair Leadership

The third aim of this dissertation was to examine the difference between ethical leadership and the leader's fairness⁵ towards employees. Ethical leadership and fair leadership overlap significantly (Brown et al., 2005). Fairness is a key aspect of ethical leadership and is mirrored by the moral-person dimension of ethical leadership. However, in theory, ethical leadership goes beyond fairness, as it conceptualizes the leader also as a moral manager (Brown et al., 2005). Our aim was to investigate this proposition empirically by comparing ethical leadership

⁵ As mentioned earlier, we refer to a descriptive concept of fairness as used in the social scientific literature (e.g. Colquitt, 2001).

and fair leadership concerning their effects on the unethical behavior of employees. As hypothesized, our results suggest that ethical and fair leadership decrease employees' unethical behavior towards internal stakeholders *equally* well. Thus, we did not find a difference between ethical leadership and fair leadership in that respect. However, we did find a difference concerning their effects on employees' unethical behavior towards external stakeholders. Here, ethical leadership was more effective than fair leadership. We can conclude that ethical leadership is not "old wine in a new bottles" as it appears to produce different effects from fair leadership. However, again, this holds true only if ethical leadership incorporates an explicit focus on external stakeholders.

Theoretical Implications

The empirical results of this dissertation lead to an important theoretical implication. The findings imply that the ethical leadership concept should be complemented with a specific focus on external stakeholders. The reasons we found for this are threefold. Firstly, ethical leaders reported that they care for both internal and external stakeholders. Therefore, a descriptive concept of ethical leadership should include both. Focusing on employees only does not seem to provide an adequate description of the empirical phenomena of ethical leadership. Secondly, our results suggest that ethical leadership only enhances employees' ethical conduct towards external stakeholders if ethical leaders are explicitly concerned for external stakeholders. Thirdly, the difference between ethical leadership and fair leadership seems to become empirically apparent only when the effects on employees' behavior towards external stakeholders are considered.

Accordingly, ethical leadership proves to be especially valuable for protecting external stakeholders from unethical behavior.

However, ethical leadership reformulated with an explicit concern for internal and external stakeholders would not be the only leadership theory focusing on multiple stakeholders. Responsible leadership (Pless & Maak, 2011) postulates that leaders should care not only for employees but for many different groups of stakeholders. Would the theory of ethical leadership shift closer towards responsible leadership if it incorporated an explicit concern for external stakeholders? Definitely. However, ethical leadership would still be different from responsible leadership in that an ethical leader is defined as a moral manager. Furthermore, it would not make much sense to restrict a descriptive theory, such as ethical leadership, to describing only half of the empirical phenomena simply to maintain a maximum of distinctiveness from other available theories.

In conclusion, our results suggest that the theory and measurement instruments of ethical leadership should be complemented with the leader's explicit concern for external stakeholders. Accordingly, ethical leadership may be more adequately defined as “(...) the demonstration of normatively appropriate conduct *towards all stakeholders* through personal action and interpersonal relationships, and the promotion of such conduct to followers through two-way communication and decision making” (Brown et al., 2005, p. 120; italicized words added by Frisch & Huppenbauer, 2013).

Practical Implications

Similar to responsible leaders, ethical leaders seem to care for a wide range of stakeholder groups. However, as ethical leadership distinguishes itself with the dimension of the moral manager, leaders and managers may want to know when it is crucial to be both a moral person and a moral manager and when it is sufficient only to be a moral person, thus, to behave fairly, since the moral manager behavior does not enhance the employees' ethical behavior any further. This is important, because moral manager behavior may be time consuming and costly and should, therefore, produce a satisfactory effect if it is not to be wasted. Our results suggest that for leaders who want to enhance employees' ethical behavior towards themselves and the organization it is sufficient to behave fairly towards their employees. However, for a leader who wants to enhance employees' ethical behavior towards external stakeholders, such as customers, it is crucial to be a full ethical leader, thus to be not only a moral person but also a moral manager who sets and enforces clear standards of behavior towards external stakeholders. In conclusion, ethical leadership is especially important and effective where external stakeholders are involved. However, if only internal stakeholders are involved, fair leadership is sufficient.

Strengths, Limitations, and Future Suggestions

One strength of this dissertation is its multimethodological approach involving both qualitative and quantitative methods. This has enabled a comprehensive empirical investigation of the phenomenon of ethical leadership including both exploration of new areas of ethical leadership and experimental testing of hypotheses. Furthermore, we investigated ethical leadership from

multiple perspectives. On one hand, contrary to previous research, we examined ethical leadership from the point of view of executive ethical leaders themselves, thus from an internal perspective. On the other hand, we examined employees' reports on how they would react to ethical leadership, so ethical leadership was also investigated from an external perspective.

However, although the multimethodological approach can be considered as a strength of this dissertation, it is important to recognize the limitations of each of the methods chosen. Most importantly, the external validity of all our studies may be limited. This holds true especially for the qualitative Study 1, as the sample was not representative. However, generalizability may also be limited for the experimental Studies 2 and 3, as they featured very specific, artificial settings using written scenarios instead of exposing participants to real leadership behavior. Furthermore, we observed not the employees' actual behavior but their reports of their behavior. Therefore, despite preventative measures, such as guaranteeing absolute anonymity and not disclosing the real purpose of the study to participants before the end of the experiment (Studies 2 and 3), issues of social desirability and demand characteristics may have influenced the results (Nederhof, 1985; Weber & Cook, 1972).

Accordingly, further quantitative research in the field is necessary to verify the external validity of our results. However, this may prove to be rather difficult using the existing measures (Brown et al., 2005; Kalshoven et al., 2011; Tanner et al., 2010), because these focus on the relationship between the leader and the followers and neglect broader groups of stakeholders. Therefore, future research is

necessary to develop more appropriate measurement instruments. Another interesting area would be the development not only of surveys for research but also of instruments for the recruitment of ethical leaders. However, as the recruiting instruments would have to use the candidates as their primary sources of information, preventing distortions of social desirability would pose a particular challenge. Beyond recruiting, our results could be used for the development of training programs of ethical leadership.

Last but not least, it is important to recognize the descriptive nature of our results. A normative ethicist may justly object that the mere fact of our interview partners, while enjoying high ethical reputations, reporting a specific behavior to be normatively appropriate cannot ensure that this is really the case, because our interview partners might have erred. Therefore, future research which includes a normative discussion and judgment of our findings is necessary. However, our descriptive findings are important, because without drawing from the practical experience of the executive leaders we cannot know *what* has to be discussed normatively, thus, we would be missing the empirical facts of which stakeholders are involved, which situations of moral conflict arise and how people actually behave in these situations. Accordingly, both normative and descriptive research is necessary to fully understand ethical leadership. Or, as Huppenbauer and Tanner (2014, p. 242) have aptly pinpointed the issue: “Empirical research is ‘blind’ without normative reflection (...). In turn, normative reflection is ‘empty’ without empirical knowledge and risks being of little practical value without acknowledging the relevance of what is, and why it is.”

Conclusion

This dissertation project aimed at contributing to three fundamental questions of ethical leadership research. Firstly, what is ethical leadership? Secondly, what is ethical leadership good for? And, thirdly, is ethical leadership a distinct theoretical concept?

Firstly, our results add to a more specific picture of what ethical leadership is and how an ethical leader behaves. Most importantly, while earlier theory and research on ethical leadership has focused on the relationship between the leader and the followers (Brown & Mitchell, 2010; Pless & Maak, 2011), our results suggest that ethical leaders are explicitly concerned for various groups of stakeholders. Accordingly, ethical leaders strive to be moral managers, thus to enhance their followers' ethical conduct not only towards themselves and the company but also towards external stakeholders, such as customers.

Secondly, our results suggest that ethical leadership enhances the employees' ethical conduct not only towards internal but also towards external stakeholders and, therefore, may be a powerful resource for preventing unethical conduct and resulting business scandals in organizations.

Thirdly, our results add empirical evidence that the theoretical concept of ethical leadership is distinct from the leader's fairness towards employees, as ethical leadership enhances the employees' ethical conduct towards external stakeholders more than the leader's fairness.

However, it is important to note that these points hold only true if ethical leadership is conceptualized with an explicit concern for external stakeholders.

Therefore, I conclude that both the theory and the research of ethical leadership should extend their foci on a broader range of stakeholders. Hopefully, this expanded view of ethical leadership will lead to a better understanding of how unethical conduct in organizations and business scandals can be prevented.

References

- Avey, J. B., Palanski, M. E., & Walumbwa, F. O. (2010). When leadership goes unnoticed: The moderating role of follower self-esteem on the relationship between ethical leadership and follower behavior. *Journal of Business Ethics*, 98(4), 573-582. doi: 10.1007/s10551-010-0610-2
- Bowie, N. E., & Werhane, P. H. (2005). *Management ethics*. Oxford: Blackwell Publishing.
- Brown, M. E., & Mitchell, M. S. (2010). Ethical and unethical leadership: Exploring new avenues for future research. *Business Ethics Quarterly*, 20(4), 583-616.
- Brown, M. E., & Treviño, L. K. (2006). Ethical leadership: A review and future directions. *The Leadership Quarterly*, 17(6), 595-616. doi: 10.1016/j.leaqua.2006.10.004
- Brown, M. E., Treviño, L. K., & Harrison, D. A. (2005). Ethical leadership: A social learning perspective for construct development and testing. *Organizational Behavior and Human Decision Processes*, 97(2), 117-134. doi: 10.1016/j.obhdp.2005.03.002
- Colquitt, J. A. (2001). On the dimensionality of organizational justice: A construct validation of a measure. *Journal of Applied Psychology*, 86(3), 386-400. doi: 10.1037/0021-9010.86.3.386
- Den Hartog, D. N., & De Hoogh, A. H. B. (2009). Empowering behaviour and leader fairness and integrity: Studying perceptions of ethical leader behaviour from a levels-of-analysis perspective. *European Journal of*

Work and Organizational Psychology, 18(2), 199-230. doi:

10.1080/13594320802362688

Donaldson, T., & Preston, L. E. (1995). The stakeholder theory of the corporation:

Concepts, evidence, and implications. *Academy of Management Review*, 20(1), 65-91. doi: 10.5465/amr.1995.9503271992

Eisenbeiss, S. A. (2012). Re-thinking ethical leadership: An interdisciplinary

integrative approach. *The Leadership Quarterly*, 23(5), 791-808. doi:

10.1016/j.leaqua.2012.03.001

Frisch, C., & Huppenbauer, M. (2013). New insights into ethical leadership: A

qualitative investigation of the experiences of executive ethical leaders.

Journal of Business Ethics. doi: 10.1007/s10551-013-1797-9

Giessner, S., & Quaquebeke, N. (2011). Using a relational models perspective to

understand normatively appropriate conduct in ethical leadership. *Journal of Business Ethics*, 95, 43-55. doi: 10.1007/s10551-011-0790-4

Huppenbauer, M., & Tanner, C. (2014). Ethical leadership: How to integrate

empirical and ethical aspects for promoting moral decision making in

business practice. In M. Christen, C. van Schaik, J. Fischer, M.

Huppenbauer & C. Tanner (Eds.), *Empirically informed ethics: Morality between facts and norms* (pp. 239-254). Cham: Springer International Publishing Switzerland.

Jones, T. M., & Felps, W. (2013). Stakeholder happiness enhancement. *Business*

Ethics Quarterly, 23(3), 349-379. doi: 10.5840/beq201323325

-
- Kalshoven, K., Den Hartog, D. N., & De Hoogh, A. H. B. (2010). Ethical leader behavior and big five factors of personality. *Journal of Business Ethics*, 100(2), 349-366. doi: 10.1007/s10551-010-0685-9
- Kalshoven, K., Den Hartog, D. N., & De Hoogh, A. H. B. (2011). Ethical leadership at work questionnaire (ELW): Development and validation of a multidimensional measure. *The Leadership Quarterly*, 22(1), 51-69. doi: 10.1016/j.leaqua.2010.12.007
- Ladd, A. E. (2011). Pandora's well: Hubris, deregulation, fossil fuels, and the BP oil disaster in the gulf. *American Behavioral Scientist*, 56(1), 104-127. doi: 10.1177/0002764211409195
- Mayer, D. M., Aquino, K., Greenbaum, R., & Kuenzi, M. (2012). Who displays ethical leadership, and why does it matter? An examination of antecedents and consequences of ethical leadership. *Academy of Management Journal*, 55(1), 151-171. doi: 10.5465/amj.2008.0276
- Mayer, D. M., Kuenzi, M., Greenbaum, R., Bardes, M., & Salvador, R. (2009). How low does ethical leadership flow? Test of a trickle-down model. *Organizational Behavior and Human Decision Processes*, 108(1), 1-13. doi: 10.1016/j.obhdp.2008.04.002
- McCrae, R. R., & Costa, P. T., Jr. (1990). *Personality in adulthood*. New York, NY US: Guilford Press.
- Nederhof, A. J. (1985). Methods of coping with social desirability bias: A review. *European Journal of Social Psychology*, 15(3), 263-280. doi: 10.1002/ejsp.2420150303

-
- Neubert, M. J., Carlson, D. S., Kacmar, K. M., Roberts, J. A., & Chonko, L. B. (2009). The virtuous influence of ethical leadership behavior: Evidence from the field. *Journal of Business Ethics, 90*(2), 157-170. doi: 10.1007/s10551-009-0037-9
- Pless, N. M., & Maak, T. (2011). Responsible Leadership: Pathways to the future. *Journal of Business Ethics, 98*(S1), 3-13. doi: 10.1007/s10551-011-1114-4
- Tanner, C., Brügger, A., van Schie, S., & Lebherz, C. (2010). Actions speak louder than words. *Journal of Psychology, 218*(4), 225-233. doi: 10.1027/0044-3409/a000032
- Walumbwa, F. O., & Schaubroeck, J. (2009). Leader personality traits and employee voice behavior: Mediating roles of ethical leadership and work group psychological safety. *Journal of Applied Psychology, 94*(5), 1275-1286. doi: 10.1037/a0015848
- Weber, S. J., & Cook, T. D. (1972). Subject effects in laboratory research: An examination of subject roles, demand characteristics, and valid inference. *Psychological Bulletin, 77*(4), 273-295. doi: 10.1037/h0032351

Appendices

Appendix to Chapter 2

Interview Guide, English Translation

1. Information about the interview partner and the organization
 - Please describe your professional career.
 - What is your age?
 - What is your current position?
 - How many employees do you lead?
 - How many employees does your organization have?
 - What is the legal form of your organization?
 - Who does the organization belong to? Are you the owner/a co-owner of the organization?
2. Stakeholders and the leader's behavior
 - Towards which people/group of people do you feel some kind of responsibility?
 - How do you behave towards these people/group of people?
3. Ethical guidance of employees
 - How do you evoke your employees' ethical behavior?
 - Which behaviors do you explicitly demand of your employees?
 - How do you communicate the demanded behavior to your employees?
 - Which behaviors of employees do you discipline?
 - What kind of role model behavior do you show?
4. Conflicts
 - What are the main reasons for conflicts?
 - How do you handle these conflicts?

5. Antecedents and consequences

- What enables and enhances your ethical style of leading?
- Do you have a role model? Whom?
- What are the outcomes of your ethical style of leading?

Appendix to Chapter 3

Study 2: Leadership Scenarios, German

Fair leader condition

Sie arbeiten nun bereits seit einigen Monaten im neuen Unternehmen. Ihr neuer Chef ist sehr fair. Sie haben viel Einsatz gezeigt und er hat Ihnen deswegen bereits nach kurzer Zeit eine Gehaltserhöhung gegeben. Sie sind sehr zufrieden mit Ihrem Gehalt und Ihr Chef behandelt Sie zudem respektvoll, höflich und freundlich. Er legt Wert auf Ihre Meinung und bezieht Sie bei seinen Entscheidungen mit ein. Er ist Ihnen gegenüber ehrlich und begründet seine Entscheidungen sorgfältig und nachvollziehbar.

Sie wissen, dass Sie Ihrem Chef schaden, wenn Sie viel Arbeitszeit für private Zwecke verwenden, weil Sie damit den Erfolg der Abteilung vermindern. Wenn die Abteilung keinen Erfolg hat, kann Ihr Chef in Schwierigkeiten geraten. Sie selbst würden aber nicht in Schwierigkeiten geraten, wenn Sie viel Arbeitszeit für private Zwecke verwenden.

Ethical leader condition

Sie arbeiten nun bereits seit einigen Monaten im neuen Unternehmen. Ihr neuer Chef ist sehr fair. Sie haben viel Einsatz gezeigt und er hat Ihnen deswegen bereits nach kurzer Zeit eine Gehaltserhöhung gegeben. Sie sind sehr zufrieden

mit Ihrem Gehalt und Ihr Chef behandelt Sie zudem respektvoll, höflich und freundlich. Er legt Wert auf Ihre Meinung und bezieht Sie bei seinen Entscheidungen mit ein. Er ist Ihnen gegenüber ehrlich und begründet seine Entscheidungen sorgfältig und nachvollziehbar.

Ihr Chef ist sehr gewissenhaft und zeigt immer vollen Arbeitseinsatz. Er erwartet auch von seinen Mitarbeitenden, dass sie die Ziele des Unternehmens verfolgen. Gerade kürzlich hat er wieder alle Mitarbeitenden eindringlich gebeten, ihre Arbeitszeit nicht für private Erledigungen einzusetzen, weil dies dem Unternehmen schade.

Sie wissen, dass Ihr Chef es ernst meint. Sie haben nämlich auch erfahren, dass er einen früheren Mitarbeiter, der einen großen Teil seiner Arbeitszeit für private Zwecke verwendet hatte, schweren Herzens entlassen musste, nachdem er ihn mehrfach erfolglos ermahnt hatte. Sie wissen, dass Sie Ihrem Chef schaden, wenn Sie viel Arbeitszeit für private Zwecke verwenden, weil Sie damit den Erfolg der Abteilung vermindern. Wenn die Abteilung keinen Erfolg hat, kann Ihr Chef in Schwierigkeiten geraten. Außerdem können Sie selber auch in Schwierigkeiten geraten, wenn Sie viel Arbeitszeit für private Zwecke verwenden.

Unfair leader condition

Sie arbeiten nun bereits seit einigen Monaten im neuen Unternehmen. Ihr neuer Chef ist leider sehr unfair. Sie haben viel Einsatz gezeigt, trotzdem hat er Ihnen die anfangs versprochene baldige Gehaltserhöhung nicht gegeben. Sie sind unzufrieden mit Ihrem Gehalt und Ihr Chef behandelt Sie zudem respektlos, unhöflich und unfreundlich. Ihre Meinung ist ihm egal und er bezieht Sie bei seinen Entscheidungen nicht mit ein. Er ist Ihnen gegenüber oft unehrlich und Sie

können seine Entscheidungen nicht nachvollziehen, er begründet sie auch kaum. Sie wissen, dass Sie Ihrem Chef schaden, wenn Sie viel Arbeitszeit für private Zwecke verwenden, weil Sie damit den Erfolg der Abteilung vermindern. Wenn die Abteilung keinen Erfolg hat, kann Ihr Chef in Schwierigkeiten geraten. Sie selbst würden aber nicht in Schwierigkeiten geraten, wenn Sie viel Arbeitszeit für private Zwecke verwenden.

Study 3: Leadership Scenarios, German

Fair leader condition

Sie arbeiten nun bereits seit einigen Monaten im neuen Unternehmen. Ihr neuer Chef ist sehr fair. Sie haben viel Einsatz gezeigt und er hat Ihnen deswegen bereits nach kurzer Zeit eine Gehaltserhöhung gegeben. Sie sind sehr zufrieden mit Ihrem Gehalt und Ihr Chef behandelt Sie zudem respektvoll, höflich und freundlich. Er legt Wert auf Ihre Meinung und bezieht Sie bei seinen Entscheidungen mit ein. Er ist Ihnen gegenüber ehrlich und begründet seine Entscheidungen sorgfältig und nachvollziehbar.

Auch in diesem Unternehmen ist es Ihr Job, Kunden zu beraten und möglichst viele Haushaltsgeräte zu verkaufen. Sie wissen, dass Sie Ihrem Chef schaden, wenn Sie nur wenige Geräte verkaufen, weil Sie damit den Erfolg der Abteilung vermindern. Wenn die Abteilung keinen Erfolg hat, kann Ihr Chef in Schwierigkeiten geraten. Sie selbst würden aber nicht in Schwierigkeiten geraten.

Ethical leader condition

Sie arbeiten nun bereits seit einigen Monaten im neuen Unternehmen. Ihr neuer Chef ist sehr fair. Sie haben viel Einsatz gezeigt und er hat Ihnen deswegen

bereits nach kurzer Zeit eine Gehaltserhöhung gegeben. Sie sind sehr zufrieden mit Ihrem Gehalt und Ihr Chef behandelt Sie zudem respektvoll, höflich und freundlich. Er legt Wert auf Ihre Meinung und bezieht Sie bei seinen Entscheidungen mit ein. Er ist Ihnen gegenüber ehrlich und begründet seine Entscheidungen sorgfältig und nachvollziehbar.

Ihr Chef ist eine sehr integere Person. Nicht nur seine Mitarbeitenden, sondern auch seine Kunden behandelt er äußerst fair. Gerade kürzlich hat er wieder allen Mitarbeitenden eindringlich mitgeteilt, dass sie die Kunden fair behandeln müssen. Insbesondere müssen die Kunden ehrlich über die Qualität und Lebensdauer von Produkten informiert werden. Das bedeutet, dass man dem Kunden immer angeben muss, wie lange ein Produkt mindestens hält. Denn wenn ein Produkt früher kaputt geht, als man angegeben hat, fühlt sich der Kunde belogen. Beträgt die Lebensdauer gemäß Hersteller 7-15 Jahre, muss man folglich dem Kunden eine Lebensdauer von 7 Jahren mitteilen.

Sie wissen, dass Ihr Chef es ernst meint. Sie haben nämlich auch erfahren, dass er einen früheren Mitarbeiter, der wiederholt Kunden belogen hat, schweren Herzens entlassen musste, nachdem er ihn mehrfach erfolglos ermahnt hatte.

Auch in diesem Unternehmen ist es Ihr Job, Kunden zu beraten und möglichst viele Haushaltsgeräte zu verkaufen. Sie wissen, dass Sie Ihrem Chef schaden, wenn Sie nur wenige Geräte verkaufen, weil Sie damit den Erfolg der Abteilung vermindern. Wenn die Abteilung keinen Erfolg hat, kann Ihr Chef in Schwierigkeiten geraten.

Allerdings wissen Sie auch, dass es Ihrem Chef noch wichtiger ist, dass die Kunden ehrlich beraten werden. „Ehrlichkeit vor Profit“ lautet seine Devise, und

das erwartet er auch von seinen Mitarbeitenden. Wenn Sie Kunden belügen, schaden Sie sich somit selbst.

Seducing leader condition

Sie arbeiten nun bereits seit einigen Monaten im neuen Unternehmen. Ihr neuer Chef ist sehr fair. Sie haben viel Einsatz gezeigt und er hat Ihnen deswegen bereits nach kurzer Zeit eine Gehaltserhöhung gegeben. Sie sind sehr zufrieden mit Ihrem Gehalt und Ihr Chef behandelt Sie zudem respektvoll, höflich und freundlich. Er legt Wert auf Ihre Meinung und bezieht Sie bei seinen Entscheidungen mit ein. Er ist Ihnen gegenüber ehrlich und begründet seine Entscheidungen sorgfältig und nachvollziehbar.

Ihr Chef ist ein sehr erfolgreicher Verkäufer. Er weiß, wie man Kunden „herumkriegt“. Seine Verkaufszahlen sind die besten im ganzen Unternehmen, und er gibt sein Wissen und seine Tricks gerne an seine Mitarbeitenden weiter. Gerade kürzlich hat er wieder an einem abteilungsinternen Verkaufstraining Folgendes betont: „Es ist sehr wichtig, ein Produkt positiv zu beschreiben. Damit es zum Verkaufserfolg kommt, muss man dem Kunden klar machen, dass das Produkt von guter Qualität ist und über eine möglichst lange Lebensdauer verfügt. Die Angaben der Hersteller zu der Lebensdauer von Produkten sind schwammige Richtwerte, schließlich weiß niemand genau, wie lange ein Produkt wirklich halten wird. Wenn man verkaufen will, muss man dem Kunden also eine möglichst lange Lebensdauer mitteilen.“

Ihr Chef hat zudem noch einmal klargestellt, dass er gute Leistungen seiner Mitarbeitenden auf jeden Fall honoriert. Sie wissen, dass er es ernst meint.

Er vergibt nämlich jeden Monat eine Prämie an den Mitarbeitenden mit den besten Verkaufszahlen, und schließlich hat er Ihren großen Einsatz bereits mit einer Gehaltserhöhung belohnt.

Auch in diesem Unternehmen ist es Ihr Job, Kunden zu beraten und möglichst viele Haushaltsgeräte zu verkaufen. Sie wissen, dass Sie Ihrem Chef schaden, wenn Sie nur wenige Geräte verkaufen, weil Sie damit den Erfolg der Abteilung vermindern. Wenn die Abteilung keinen Erfolg hat, kann Ihr Chef in Schwierigkeiten geraten. Sich selbst schaden Sie damit ebenfalls, weil Sie bei schlechten Verkaufszahlen keine Prämie erhalten.

Unfair leader condition

Sie arbeiten nun bereits seit einigen Monaten im neuen Unternehmen. Ihr neuer Chef ist leider sehr unfair. Sie haben viel Einsatz gezeigt, trotzdem hat er Ihnen die anfangs versprochene baldige Gehaltserhöhung nicht gegeben. Sie sind unzufrieden mit Ihrem Gehalt und Ihr Chef behandelt Sie zudem respektlos, unhöflich und unfreundlich. Ihre Meinung ist ihm egal und er bezieht Sie bei seinen Entscheidungen nicht mit ein. Er ist Ihnen gegenüber oft unehrlich und sie können seine Entscheidungen nicht nachvollziehen, er begründet sie auch kaum.

Auch in diesem Unternehmen ist es Ihr Job, Kunden zu beraten und möglichst viele Haushaltsgeräte zu verkaufen. Sie wissen, dass Sie Ihrem Chef schaden, wenn Sie nur wenige Geräte verkaufen, weil Sie damit den Erfolg der Abteilung vermindern. Wenn die Abteilung keinen Erfolg hat, kann Ihr Chef in Schwierigkeiten geraten. Sie selbst würden aber nicht in Schwierigkeiten geraten.

Curriculum Vitae – Colina Frisch

EDUCATION

Since 2010	PhD student in Psychology, University of Zurich
2009	Licentiata Philosophiae in Psychology, Psychopathology and Natural Medicine, University of Zurich equivalent to a Bachelor and Master of Science
2001-2007	Courses in Philosophy, University of Zurich
2000-2001	Courses in Theater Science, University of Berne
2000	Matura, Kantonsschule Limmattal, Zurich

EMPLOYMENT - CURRENT

Since Aug. 2010	PhD student (URPP for Ethics scholarship and Forschungskredit scholarship), University of Zurich
Since Jan. 2007	External trainer and recruitment expert, Interdisziplinäre Beratergruppe Zürich IDBZ

EMPLOYMENT - PREVIOUS

Oct. 2009 - March 2012	Research assistant and research fellow (since Feb. 2010), University of Applied Sciences FHNW, School of Applied Psychology
March 2008 - Sept. 2009	External Consultant of PT. Bali Permata Indah (Hintermayer & Cie S.C.S)
June 2008 - Sept. 2008	Co-director / dramaturg “Rote Asche. Ein Musiktheatralisches Biotop“, Rigiblick, Zurich

July 2007 - Oct. 2007	Intern of clinical psychology, Psychotherapiestation Villa, Integrierte Psychiatrie Winterthur
March 2006 - June 2007	Student assistant, Institute for Banking and Finance, University of Zurich
Aug. 2006 - Jan. 2007	Intern of psychology, Institute of clinical psychology, psychotherapy and psychoanalysis, University of Zurich
Oct. 2005 - Jan. 2006	Intern, WWF International / WWF Bhutan
Oct. 2004 - May 2005	Director and producer "Prozess.Fragment", Tonimolkerei, Zurich
July 2004 - Sept. 2004	Co-director / dramaturg "Sounding Sculptures", Haus Konstruktiv, Zurich
Jan. 2003 - June 2004	Junior event & marketing manager, First Tuesday Zurich.
Nov. 2001- March 2003	Editorial assistant „Hangar 21“, Winterthur Versicherungen
April 2001 - Oct. 2001	Assistant director, Schauspielhaus Zürich, Theater Neumarkt, Theaterhaus Gessnerallee, Zurich
Oct. 2000 - March 2001	Actor and singer, Ensemble Theater der Regionen, Biel & Solothurn
Sept. 2000 - Jan. 2001	Assistant photographer
March 2000 - Dec. 2000	Allrounder, ABC Antiquariat Marco Pinkus

HONORS AND FELLOWSHIPS

2013	Society for Business Ethics Founder's Award
2012 - 2014	Mentee in the "Swiss-German Mentoring Programme", Universities of Bern, Basel, Fribourg, Lucerne, St. Gallen, Zurich, and the Università della Svizzera italiana

Since 2011	Rookie-member of “Zurich.Minds”
2010-2011	Forschungskredit, University of Zurich
2008	Future Leaders Forum, Lassalle-Institut, Bad Schönbunn
2006	Radboud Summer University, Nijmegen, Netherlands Master Class: Concepts of Free Will, Interdisciplinary Class: Ethos of Science
2003 - 2013	Fellow of the Swiss Study Foundation

PRESENTATIONS

Frisch, C. & Huppenbauer, M. (2013). Fostering employees' ethical conduct: What works better, ethical leadership or fairness? Paper presented at the 12th International Studying Leadership Conference, Rome, Italy.

Frisch, C. & Huppenbauer, M. (2013). Fostering employees' ethical conduct: What works better, ethical leadership or fairness? Paper presented at the 13th biannual congress of the Swiss Psychological Society, Basel, Switzerland.

Frisch, C. & Huppenbauer, M. (2013). Fostering employees' ethical conduct: What works better, ethical leadership or fairness? Paper presented at the Society for Business Ethics' annual meeting, Orlando, USA.

Frisch, C. & Huppenbauer, M. (2012). New insights into ethical leadership: A qualitative investigation of the experiences of executive ethical leaders. Paper presented at the EBEN research conference, Newcastle, UK.

Frisch, C. & Huppenbauer, M. (2012). New insights into ethical leadership: A qualitative investigation of the experiences of executive ethical leaders. Paper presented at the Retreat of the PhD Program Psychology of the University of Zurich, Ittingen, Switzerland.

Frisch, C. & Huppenbauer, M. (2012). New insights into ethical leadership. Paper presented at the 5th interdisciplinary meeting of the Respect Research Group, Hamburg and Siggen (Osthofstein), Germany.

Frisch, C. & Huppenbauer, M. (2012). Ethical leadership: A driver for corporate social responsibility? Paper presented at the 3rd international sustainability conference, Basel, Switzerland.

Frisch, C. & Huppenbauer, M. (2012). New insights into ethical leadership: A qualitative investigation of the experiences of executive ethical leaders. Paper presented at the EBEN annual conference, Barcelona, Spain.

INVITED PRESENTATIONS

Frisch, C. (2013). Ethical Leadership. Bern University of Applied Sciences.

Frisch, C. (2012). Stille Helden: Ethische Unternehmer und ihr Engagement für die Gesellschaft. NSW Forum, 23.11.2012, Berne, Switzerland

Frisch, C. (2012). Ethical Leadership. Bern University of Applied Sciences.

VOLUNTARY ACTIVITIES

Since 2012	Member of the board of trustees, SHG Stiftung für humanwissenschaftliche Grundlagenforschung, Switzerland
Since 2012	Member of the supervisory board, Genossenschaft Rothus-Wies, Switzerland
Since 2010	Member of the supervisory board, Netzwerk für sozial verantwortliche Wirtschaft NSW / RSE, Switzerland